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**Author**

Kaufman, Bruce, Barry, Michael, Wilkinson, Adrian, Gomez, Rafeal

**Published**

2020

**Book Title**

The Future of Work and Employment

**Version**

Accepted Manuscript (AM)

**DOI**

[10.4337/9781786438256.00022](https://doi.org/10.4337/9781786438256.00022)

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The Future of Employee Engagement: The Challenge of Separating Old Wine from New Bottles

Bruce E. Kaufman, Georgia State University

Michael Barry, Griffith University

Adrian Wilkinson, Griffith University

Rafael Gomez, University of Toronto

**In A. Wilkinson and M. Barry (eds) The Future of Work : Cheltenham , Edward Elgar 2020.**

## **Introduction**

Forecasting the future of a management practice is particularly challenging because many of them cycle in and out as a combination of generic idea overlain with new rationale, improved implementation, and different terminology. For example, industrial democracy, human relations, Japanese management, employee participation, and employee empowerment were all big topics at various points over the twentieth century, enjoyed a heyday of popularity, and then faded from sight as interest waned and attention shifted to the next business problem and heralded new solution.

Some of the chapter topics in this volume on the future of work are relatively free of this conundrum; for example, the gig economy is obviously a new technological development while meaningful work has been discussed by philosophers and theologians for centuries. A reading of the current literature on employee engagement almost unanimously indicates it is a new idea and management practice, originating in the 1990s and described by one author (Bryne 2015: 22) as still “in its infancy.” If this is the case, then a forecast of the future of employee engagement has little of a past trend line to anchor the analysis and must instead focus on the new elements and forces in the business situation that have spawned the idea, the extent to which they are transient or long-term developments, and the degree to which employee engagement adds significant business value which helps separate fad from staying power. On the other hand, to the degree employee engagement is the proverbial ‘old wine in new bottle,’ it has a recorded history which provides a helpful baseline trajectory for making a forecast into the future, albeit with need to still factor in changing conditions and developments.

Before these short-run/transient and long-run/permanent dimensions of employee engagement can be sorted and weighed, it is first necessary to define the concept. Accordingly, the next section of this chapter provides a review of alternative engagement definitions and conceptualizations in prominent studies. In the second section, we provide four short vignettes from the historical literature which collectively indicate engagement has a large generic, old

wine component – a finding that suggests the future of engagement is partly known by studying its past. Working out an informed, on-target forecast of the future of employee engagement is also facilitated by consideration of recent empirical patterns and trends in engagement, which we briefly present in the third section. In the fourth and final section, several published models of employee engagement drivers and moderators are introduced, contextual insights from historical and empirical sections are added, and the package is used to derive a best-estimate forecast of both the time-series trend and cross-section pattern of national-level measures of employee engagement over the next one and two decades. The approach taken in this chapter to the future of work is novel, therefore, in its greater analytical, model-driven orientation.

### **What is Employee Engagement?**

The first requisite for an evaluation and forecast of employee engagement is definition and conceptualization of the construct. A summary review of the EE literature reveals more than usual diversity on this matter.

The concept of employee engagement is almost universally attributed to William Kahn (1990), professor of organizational behavior (Schaufeli and Bakker 2010: 12; Guest, 2014: 142). He proposes that engagement, as a generic behavioral concept, is part of a continuum with full disengagement at one end and full engagement at the other. He says of engagement, “People can use varying degrees of their selves, physically, cognitively, and emotionally, in the roles they perform.” He describes the behavioral dualism contained in the engagement/disengagement concepts (E/D hereafter) as a coupling-attaching of the self to a role in the former case and uncoupling-detaching in the latter. An alternative dualism is approach-withdrawal behavior.

E/D behavior, Kahn states, applies to all human roles, such as student, spouse, soldier, employee, and executive. In this regard, Kahn does not discuss *employee* engagement per se but engagement across life roles. He argues E/D behavior arises from a psychological process largely coterminous with motivation but gains a unique identity as a holistic combination of body, mind, and heart. Also, Kahn represents motivation as an internal psychological state and process while engagement is externally visible actions and behaviors in role performance.

Kahn's paper and engagement concept might have quickly disappeared if academic uptake was the decisive factor. However, the concept was independently picked up and applied to employees by management consultants and transformed into a hugely popular and influential line of research and practice. The pioneer was the Gallup Organization. Backed by an extensive research program of company interviews, data from thousands of organizations across numerous countries, and sophisticated statistical analysis, Gallup rolled out in the late 1990s its Q<sup>12</sup> employee engagement survey.

Gallup (2018) defines an engaged employee as "those who are involved in, enthusiastic about, and committed to their work and workplace.

Gallup's engagement survey quickly garnered national media attention, particularly because its finding that only one-third of employees are engaged quickly set off alarm bells in executive suites. The media publicity and burgeoning consulting business for Gallup spurred other management/HR consulting firms to develop their own engagement surveys, although with differentiated methodologies, definitions, constructs, models, and measures.

The university research community was slow to embrace the engagement wave and, as late as 2006, Saks (p. 600) observed, "There is a surprising dearth of research on employee engagement in the academic literature." Over the next decade, however, engagement research boomed with hundreds of journal articles and many new definitions, models, and measures. This literature is too vast to survey but chapters from a handbook provides an accurate snapshot.

In an introductory chapter to *Handbook of Employee Engagement*, Albrecht (2010: 4) tells readers, "Common to many definitions... is the idea that engagement is a positive work-related psychological state (reflected in words like enthusiasm, energy, passion and vigor) and that engagement is also a motivational state reflected in a genuine willingness to invest focused effort toward organizational goals and success." He continues, "Perhaps the most widely cited definition of engagement is that offered by Schaufeli et al. (2002: p. 74), who defined engagement as 'a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption'." Albrecht explains that Schaufeli and colleagues operationalized

their engagement construct into a seventeen-item questionnaire, the Utrecht Work Engagement Scale, which has emerged as the academic version of Gallup's Q<sup>12</sup>. The seventeen items are drivers or indicators of their three central components of engagement: vigor (e.g., "At my work, I feel that am bursting with energy."), dedication (e.g., "I find the work that I do full of meaning and purpose."), and absorption (e.g., "Time flies when I'm working.").

The academics and consultants do not see eye-to-eye on employee engagement (Truss, Delbridge, Alfes, Shantz, and Soames, 2014), perhaps inevitably given their different agendas and success criteria. Bakker and Leiter (2010), for example, chide the consultants for pouring a dozen or more traditional concepts, such as affective commitment, involvement, and job satisfaction, into a large pot, adding their proprietary secret sauce, stirring the mix, packaging it with a veneer of science and eye-catching success stories, and marketing the product as a sure-fire tonic to pep up the workforce. But, they say (p. 182), this approach "fail[s] to capture the distinct value added by the new concept of work engagement. Hence, the way practitioners conceptualize engagement comes close to putting old wine in new bottles." People on the consulting side, however, chide the academics for an over-emphasis on individual-level psychological theorization of engagement, neglect of situational context and environmental forces, and lack of relevance and application to practitioners.

The subject of employee engagement has a noticeable but largely unquestioned managerialist purpose and cast. Schaufeli and Bakker (2010), for example, observe that the principle reason companies, consulting firms, and management researchers are investing huge sums of money, organizational resources, and time into understanding employee engagement is the strong evidence that a more engaged workforce leads to positive outcomes for firms. As they summarize (p. 11), "The message for organizations is clear: increasing work engagement pays off", such as higher productivity, lower turnover, increased profitability, and competitive advantage in the market. Less examined and critically questioned is the effect of high engagement on employees, their families, and the community/society (Keenoy, 2014).

Engaged employees often report very positive feelings and satisfying experiences, such as charged-up enthusiasm, high job satisfaction, and personal gratification from extraordinary accomplishment (Halbesleben 2010). On the other side of the scale, however, are potential dark sides for the employee, such as workaholism, stress, burnout, and family neglect.

### **The Employee Engagement Construct: New Discovery or Reinvented-Repackaged Idea?**

Some writers on employee engagement conclude the voluminous and still ongoing debate over definition of the concept is neither productive nor necessary. Purcell (2012: 13) concludes, for example, “I don’t think it matters that employee engagement is a term capable of many shades of meaning. At its heart are employees’ feelings, beliefs and attitudes concerning their job, their co-workers, the customers, their manager, and concerning the organization as a whole and especially the senior management team.” He continues, “We know that if employees believe that the organization and its management, at the local and top levels, provide support to them as a person, a person with feelings and beliefs about fairness and wanting some development, they are likely to respond with cooperative behaviors of benefit to the firm.”

Purcell’s position is attractive because it sweeps aside discordant definitional nitpicking and gets to the core of the engagement idea. However, the question then arises of how it is possible that such a seemingly straightforward, managerially-important concept lay undiscovered until the early 1990s when Kahn first published a journal article on it and Gallup devised an empirical measure and started doing engagement surveys?

Investigation quickly reveals that Kahn is, in fact, not the first person to discover the engagement concept. Two short snapshot accounts demonstrate the point and further clarify and develop the engagement construct (with key words italicized for emphasis) in ways that usefully go beyond Purcell’s one-sentence sketch. The sources/authors are, respectively, Adam Smith (1723-1790) and John Commons (1862-1945).

Adam Smith devotes several chapters in *Wealth of Nations* (1776/1937) to firms, management, and labor. He also at several places uses the words engaged and engaging. One of the most famous passages in the book is, “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own self-interest.” For a

poverty-stricken person, however, Smith notes directly above this passage that when “he has no other means of *engaging* them to act according to his inclinations,” the only remaining option is to “endeavor... to obtain their *goodwill*.” The word Smith uses most often to capture the engagement idea is *industrious* while he uses the word *indolent* for disengagement (i.e., E/D is industrious/indolent). In another passage, Smith observes that the opportunity for a worker to make good wages, do interesting and meaningful work, and get ahead in life, “*animates him to exert that strength to the utmost* [and]... we shall always find the workman more *active, diligent, and expeditious*.”

Smith also notes that at some point more engagement becomes harmful to the employee. He observes that when workers “are liberally paid by the piece, [they] are very apt to over-work themselves, and to ruin their health and constitution in a few years.”

John Commons was an early twentieth-century labor economist and cofounder of the American fields of employment/industrial relations and personnel/human resource management (Kaufman, 2008). He explains in *Industrial Goodwill* (1919, and noting Smith’s use of the goodwill term) that American industry in the two decades before World War I was being torn apart by capital-labor hostility, violent mass strikes, and spread of radical trade unions and anarchist-socialist political movements. When the US entered the war in 1917, patriotism and unity of purpose swept the land, capital and labor quickly transitioned from enemies to partners, and both sides mobilized all their energies and resources to defeat the German enemy. In Commons’ words, “When the American boys stopped the Germans at the Marne it was because ammunition flowed to them like a river. It was shop organization that won the war. Capital and labor, for the time, laid down their industrial warfare and united in the shop as Allies.”

When companies saw how much workers could increase production when aroused by patriotism and common purpose, they sought to recreate this spirit by shifting to an early-1920s version of what today is called a high-commitment/high-performance work system (HPWS; see Paauwe, Guest, and Wright, 2013) but which Commons in the terminology of his day labeled a *goodwill* employment system. Goodwill, Commons states, is an attitude built from

workplace justice, reciprocity, participation, joint interests, and mutual gain which for the worker (p. 20), “enlists his whole soul and all his energies in the thing he is doing. It is that unknown factor pervading the business as a whole... which the French give the name, *l’ esprit de corps*.” He goes on to say (p. 25) that, “goodwill is coming to be an *intangible asset of business more valuable than the tangible properties*...[because] it brings larger profits and lifts the employer somewhat above the level of competing employers by giving him a more productive labor force than theirs in proportion to the wages paid.”

To summarize, neither of these two people use the term ‘employee engagement.’ But, when Smith describes how hope for a better life “animates him to exert that strength to the utmost” and Commons observes how goodwill and a common purpose “enlists his whole soul and all his energies in the thing he is doing,” they surely grasped the essentials of the engagement idea. In this respect, our understanding of engagement fundamentals seems to have advanced very little from then to now – per Kahn’s observation twenty years after his pioneer article that “many of us have different understandings of what engagement is... except that it involves people working hard and caring about what they are doing” (Kahn, 2010: 20).

When engagement is framed in this simple, transparent way, the core of the construct seems a clear case of a very old wine with a long-term but cyclic demand. Since the early 1990s, modern academics and consultants have entrepreneurially reformulated, repackaged, and rebranded it into a variety of more complex, powerful, and science-guided blends. Even if the substance of the new version is not much different or improved, it has nonetheless been successfully positioned and sold as a newly-pioneered, high-powered 21<sup>st</sup>-century employee energy drink. In turn, the future of employee engagement would be easy to predict if the new version was indeed a successful across-the-board boost to working hard and caring about the job and company. However, since the latest surveys find only 30%-40% of employees say they feel actively engaged, considerable room for change exists on both the upside and downside and predicting the direction of change in engagement takes on greater scientific challenge and practical usefulness.

## Empirical Context for Assessing the Future of Employee Engagement

The historical record provides one source of valuable context and data points for thinking out the likely trend of employee engagement in the years ahead. In this section additional context is provided by brief review of empirical patterns in employee engagement obtained from two different survey sources. The first data set shows the cross-section pattern in reported employee engagement across four English-language countries; the second data set shows the time-series pattern in reported engagement for the U.S. covering the period 2000-2018. The guiding supposition is that patterns of employee engagement witnessed today are likely to significantly shape the patterns ten and twenty years from now.

First presented is the cross-section pattern in reported engagement levels for the four countries of Australia, Canada, United Kingdom (UK), and United States (US). The authors of this chapter recently completed a large-scale survey aimed at measuring and assessing the state of the employment relationship (ER) and human resource (HR) management function within and across these four countries with data obtained from a nationally-representative sample of, respectively, managers and employees (for more details, see Wilkinson, Barry, Gomez, and Kaufman, 2018; Kaufman, Barry, Gomez, and Wilkinson, 2018). The survey is called the *State of the Workplace Employment Relations Survey* (SWERS) and the data were collected in early 2016.

Since the purpose of the survey is to provide a comprehensive data checklist on all aspects of work, employment, and human resource management in companies, space was available to include only one question on employee engagement. The managers were asked to rate on a 1-7 scale (1 = lowest, 7 = highest) the level of employee engagement (EE) for the largest group of core employees for which they had reasonable knowledgeable, such as at a company, division, or enterprise level. Since employees are typically knowledgeable of a smaller part of the company, they were instructed to rate engagement for employees for which they had reasonable familiarity at the enterprise, department or work unit level. In the manager survey, the engagement question reads: “*My company/organization’s employees are fully engaged in their work and give 100%.*” In the employee survey, the question was slightly rephrased to

ensure the employee understood engagement covers all the mind, body, and heart dimensions. It reads: “*Employees at my unit/workplace give all of their hearts, minds, and efforts.*”

. A numerical summary of the responses, including survey average, is shown in tabular form in Table 1.

[Insert Table 1 here]

A number of interesting findings emerge from the data. For example, there is striking similarity across the countries. One interpretation is that within each country’s ER/HR system is a common employee engagement subsystem or module, such as researchers postulate in theoretical models of engagement and draw in box-arrow diagrams. This subsystem contains a universalist core set of engagement determinants, drivers, mediating mechanisms, and cause-effect relations which through a  $X(Z) \rightarrow EE$  process generate a relatively common pattern of workforce engagement levels. The common pattern across countries comes from a strong main effect in the equation (the X drivers) but with some cross-country differences in distributions due to heterogeneity in national-level contextual and contingent factors (as discussed above). These factors are included in the Z variable, such as industry composition, workforce demographics, cultural norms, employment law regimes, and union density, which modify the X effect.

Employee engagement is an interesting and worthwhile topic in its own right but, nonetheless, what companies and researchers *really* care about is EE’s effect on organizational performance (P). This form of the engagement equation, therefore, is  $X(Z) \rightarrow EE \rightarrow P$ . SWERS collected data on measures of organizational performance but establishing the existence and nature of an  $EE \rightarrow P$  connection requires sophisticated statistical analysis which we have not completed and is beyond the scope of this chapter. Nonetheless, the SWERS data reveal that the dispersion in EE scores *within* countries is much larger than the dispersion *across* countries. To the degree EE confers competitive advantage, firms within a country appear to have more scope and opportunity to use it to surpass rivals than do rival nations in global competition.

However, if the quantitative size of the  $EE \rightarrow P$  relationship is significant, even small differences across countries can make a big difference in international competition. The SWERS data in

Table 1 reveal that the US is in the top position among the four countries; the country in the bottom position is less clear but overall looks to be the UK. The US/UK divergence in manager scores is 5.43 vs. 5.28 and 4.68 vs. 4.49 for employees. The largest source of disparity is in the manager responses where 29 percent of American managers marked the highest score (7) versus 15 percent of British managers. Other engagement surveys also find that, on average, EE scores are higher in North America than Europe (Aon-Hewitt, 2018a).

Another finding from SWERS is that managers and employees have significantly different workplace experiences and perceptions, with managers giving much higher ratings than employees. The mean engagement score for managers is 5.63 but falls for employees by nearly a full point to 4.68. The difference is large enough to change the evaluation from ‘engaged’ to ‘disengaged.’ The fact that managers and employees have different perspectives on breadth and depth of engagement in their workplaces is not surprising. However, the fact the divergence is quite large and it is the employees – the ones actually delivering the engagement – who give the lower grade is a warning signal.

### **Bringing It All Together: Assessing the Future Trend in Employee Engagement**

Predicting the future trend in engagement requires three things. The first is a fleshed-out model of employee engagement of the generic  $X(Z) \rightarrow EE$  type described in the last section, where the X vector contains the drivers of engagement. The second is a forecast of the direction of change of the driver variables,  $\Delta X$ , which then leads to predicted  $\Delta EE$ . The predicted  $\Delta EE$  is the change in the mean value of engagement across firms in the frequency distribution, measured on the SWERS 1-7 scale. The third requirement is forecast of changes in important moderator variables in the Z vector and mediator variables in the transmission mechanism symbolized by the arrow. These three inputs, along with incorporation of qualitative, hard-to-measure factors and application of good judgment in working out the final answer, can then be used, speaking at a conceptual level, to generate estimates of the trend in EE over the forecast period, starting with the current-period measured engagement level as anchor point and then extending the line forward to, say, 2030, by plotting the annual forecasted value of the aggregate engagement measure. With more disaggregated analysis, and again speaking at the

conceptual level, the overall engagement score can be decomposed into rank-order categories, such as the Gallup three-way classification of low, middle, and high engagement. The end product is the hallmark of a science – that is, ability to develop and use knowledge, tools, data, and human judgment to make a *ceteris-paribus* prediction of what will happen to the overall level and compositional pattern of employee engagement over the next one or two decades.

We canvassed the academic, consulting, and business book literatures for theoretical models of the employee engagement process suitable as a framework for forecasting future macro-level trends. At the start of our search, we looked for models that are formally represented in a diagram, such as box-arrow or flow-chart form. Many models of this type were found in the academic research literature but proved unsuitable for making a macro-level forecast. The major reason is that many of the academic researchers, often trained in psychology, theorize the determinants of employee engagement at an individual micro level using a plethora of hard-to-measure and generalize psychological variables, constructs, and theories (e.g., see the ten chapters in the handbook by Albrecht, 2010, on ‘key drivers’).

As one illustrative example, an oft-used theoretical framework in the academic engagement literature is the job demands-resources (JD-R) model (Hakanan and Roodt, 2010). It posits that an individual’s propensity to exhibit engaged behavior is a joint function of challenging demands for performance from the organization coupled with high supply of both personal and organization-provided resources to successfully accomplish the task. A diagram model of engagement based on the JD-R framework is presented by Bakker (2010). The level of analysis is the individual employee and nearly every driver variable in the three categories of job demands, job resources, and personal resources is an unobservable psychological construct. Examples, respectively, are work pressure and emotional demands, autonomy and social support, and resilience and self-esteem. The model is insightful for identifying a slice of drivers of engagement at the individual and small group level but is too fine-grained and internal to the person and workplace to provide a useful framework for forecasting macro trends.

Major management and HR consulting firms have also crafted EE models and they typically are presented at the organization level which is more useful for forecasting purposes. We searched

among them for good representations of driver (X) variables and selected three models from, respectively, Bersin (2019), Aon Hewitt (2018), and Voice Project (2019).

The Bersin and Aon-Hewitt models have six drivers and the Voice Project model has five. We add one more study on engagement drivers even though it did not contain a diagram-type model. John Purcell, a leading academic researcher in Britain, has done considerable work on engagement and identifies six strategic drivers (Purcell, 2014). They are: employee trust in management, satisfaction with work and the job, involvement in decision-making at work, climate of relationships between management and employees, satisfaction with pay, job challenge, and sense of achievement from work.

The labels given to the drivers differ across models but at a generic content level they have many similarities. We synthesize them to the following seven categories with examples of important attributes.

*Organizational Identity:* Purpose-Driven, Inspiring Mission, People Values, Stakeholder.

*Senior Leadership:* Capable, Trusted, Involved, Visionary, Team Leader.

*Front-Line Managers:* Collaborative, Capable, Clear & Open Communication, Fair and Respectful.

*Nature of the Work:* Meaningful, Autonomy, Participative, Team-Oriented, Appealing Conditions.

*Culture:* Mutualism, Learning and Development, Equitable, Open to Diversity & Innovation.

*Organizational Practices:* Attract & Develop Talent, Training & Promotion Opportunities, Attractive Pay & Benefits, Involvement & Voice.

*Organizational Support:* Work/Family Balance, Up-to-date Technology, Needed Quantity/Quality of Resources, Quality of Work Life.

The assumption in these studies is that more of each of these seven drivers, per the  $X(Z) \rightarrow EE$  causal equation, leads to higher employee engagement in the workplace (*ceteris paribus*). A term now coming into vogue is to summarize the composite effect of these EE drivers as ‘the

employee experience' (IBM Analytics, 2017). In keeping with a systems perspective, the drivers need to be balanced, combined, and adjusted to take into account complementarities and synergies among them and, also, contingency moderators with the external environment and other organizational subsystems. The parallel assumption is that less of these drivers individually and collectively, and less quality of fit and synergy, leads to a decline in workplace employee engagement. Crucial to engagement success, however, is dedicated executive leadership and without it the other drivers are far less effective and often erode over time. Likewise, it is not practices per se that fuel sustained high-level employee engagement but an engagement culture supported by leaders and practices (Robinson and Gifford, 2014; Bersin, 2015; Gallup, 2018).

For forecasting purposes, we need to determine if these drivers are likely to expand, remain the same, or contract over the next decade. Ideally, we also need to know the relative importance of each driver and the structure of the complementarities and synergies among them and across organizational subsystems, particularly if some drivers expand but others contract.

Unfortunately, at this point most of the employee engagement literature goes silent. The academic research literature is too fine-grained, psychological, and methods-driven to offer much insight on future trends in macro-level engagement/disengagement. Consulting reports and practitioner-authored engagement books are somewhat more helpful, since they are organization-level focused, but for the most part deal with the here-and-now issues of implementing engagement programs and the likely outcomes and benefits. Among the few exceptions found, the most in-depth and helpful is *The Future of Engagement Thought Piece Collection* (Robinson and Gifford, 2014). The report is sponsored by the Institute for Employment Studies (IES) and Chartered Institute of Personnel and Development (CIPD) in the UK and composed of short thought pieces by leading academics and practitioners.

An earlier part of this chapter described the historical roots and evolution of the engagement concept, partly to establish that while the terminology may change over time and across countries the basic EE idea is generic and long-standing. The bearing of this for the present section is that it establishes engagement is not a here-today and gone-tomorrow fad but an

enduring phenomenon and strived-for objective of organizations and organizational leaders both past and present. The trend of engagement for the next decade, therefore, is likely to be anchored on a fairly solid past trend line. Also to be expected is modest-sized cyclical movements around the trend line associated with ups and downs in employment, unemployment, wage growth, and other such situational factors.

Our confidence in the generic, long-enduring nature of the engagement phenomenon is reinforced by the observation of CIPD chief executive Peter Cheese at the beginning of the IES/CIPD report. He observes (pp. 6-7),

What is certainly true is that the motivation and alignment of people to a common cause, to contribute more of themselves, to support each other, are important principles of any successful endeavor and as old as the hills -- from rousing Shakespearean speeches on the battlefield, to the ancient pursuit of team sports.... The language of employee engagement may be new, but really it is a time-old tension: transactional and controlling Taylorist management versus leadership that emphasizes purpose and values, and supports employees to perform.

We suggest there are a number of specific plus/minus factors and developments likely to impact EE levels over the next decade.

On the plus side, for example, are these items: ongoing IT revolution which facilitates decentralization of management, improved team coordination, upskilling of jobs, and work flexibility; spread of employee use of social media with increased exposure and accountability of management practices/treatment; continuing competitive pressure on companies to get more contribution and loyalty from employees; intangible human-related assets become a progressively larger source of revenues, competitive advantage, and capitalized value; increased public pressure on companies for social responsibility practices; growing proportion of the workforce composed of millennials/Gen Y who have increased expectations of collaboration and career development; and expanding management focus on creating a positive employee experience, mutualist win-together culture, and closer alignment of employee goals and cultural values with the mission and strategy of the business.

On the negative side are other items. Examples include: downsizing and restructuring have increased the work load and responsibilities of managers and they cannot focus on EE; CEO

compensation/stock packages incent them to short-term investments and away from long-term EE initiatives; erosion of internal labor markets and development systems erode employee security, career advancement paths, and company loyalty; CEO and executive pay is skyrocketing while nonsupervisory employee real hourly pay is largely stagnant and benefit costs are shifted to employees; the corporate message that going forward employees need to take responsibility for their training and careers saps engagement; and decline of unions and threat of unions reduces pressure on companies to take into account employees' interests and wellbeing.

These diverse plus and minus situational factors and developments are informative but difficult to weigh and synthesize into an up, down, or remains the same forecast. We can get a nudge closer to an overall assessment, however, through a different route. This route is suggested in the IES/CIPD report. One of the commentators, Martin Reddington (p. 27), observes,

An emerging view is that engagement needs to be characterized as transformational with organizations spending 90 per cent of their engagement effort 'post-survey' and focusing on building an environment which truly energizes people, inspires them to give their best, and aligns their efforts with the needs of the business.

The key word here is 'transformational,' which links back to the earlier quotation from Cheese regarding the inherent tension between the Taylorist command-control approach to management (aka Theory X, per McGregor 1960) and a participative-commitment approach (aka Theory Y) built on socio-technical work redesign principles and a mutualist stakeholder governance system (Walton, 1985). Broadly viewed, the seven drivers of engagement listed above are part of a larger system of organizational design and management known in the 1980s as a transformed high-commitment or high-involvement approach (Beer, Spector, Lawrence, Mills, and Walton, 1984; Lawler, 1986) and today most often referred to as an HPWS or high-performance work system (Huselid, 1995; Appelbaum, Bailey, Berg, and Kalleberg, 2000; Paauwe, Guest, and Wright, 2013). From this perspective, a supplemental way to capture the likely EE trend in the years ahead is to forecast the trend in proportion of employees working in HPWS organizations.

Statistical evidence on the proportion of the workforce across countries employed in transformed HPWS workplaces is quite meager. For the U.S., for example, one study (Osterman, 2000) estimated that in the 1990s over forty percent of workplaces had introduced at least several HPWS-type practices but, on the other side, another study estimated that less than five percent had implemented the entire package (Blasi and Kruse, 2006). With regard to the UK (CIPD, 2014), data indicate slow but steady increase in HPWS practices up to the World Financial Crisis of 2008, with perhaps thirty per cent of workplaces having adopted a substantial portion, albeit more so in the public sector. The extent of HPWS practices then declined with the downturn in the economy but started to slowly expand again in 2012. Conclusions about whether a workplace qualifies as an HPWS based on a count of practices is problematic, however, for as suggested earlier practices by themselves do not ensure management has been able to successfully create the mutualist, unity of interest, goodwill form of team spirit that is the core attitudinal driver of superior performance.

Another complication is that what influences the future trend in engagement is not the current density *level* of HPWS workplaces but the plus/minus direction of *change*. A large body of quantitative research literature explores the beneficial outcomes of HPWS adoption but little examines the antecedent drivers of HPWS adoption across companies and countries. We are left, therefore, to largely rely on informed judgement.

Our expectation is that in advanced, relatively neoliberal economies (e.g., the four in the SWERS survey) the trend growth in the proportion of the workforce employed in transformed HPWS workplaces is at best likely to be marginally positive and more probably roughly zero or even negative. Work system transformation started in the 1970s in the manufacturing sector and is still most associated with manufacturing workplaces yet the manufacturing sector in most advanced countries is a relatively small and steadily shrinking share of employment (e.g., more than 100,000 manufacturing plants have closed in the US since 1980). An offsetting factor is that HPWS-type employment systems have successfully diffused into other capital- and knowledge-intensive economic sectors, such as high-tech development companies, airlines, financial institutions, consulting firms, and public sector organizations. Weighing on the other side, however, is that transformed high-performance systems are infrequently found in several

of the most rapidly growing sectors, such as retail, services, lodging, restaurants, and small start-up enterprises.

An important contingency that affects the expansion vs. contraction trend of high-engagement HPWS workplaces is the rate of economic growth over the next decade. If national economies continuously and rapidly grow over the next ten years, companies will have the profits and productivity incentives to upgrade their work design and people management systems toward the HPWS model. Since this model incorporates the seven drivers of engagement identified above, macro-level employee engagement levels should trend upward. On the other hand, as economic growth slows so does HPWS adoption and when growth turns negative in a recession then few HPWS workplaces are built and a much larger number shrink or close. A corollary factor is that a strong HR culture and function in companies also promotes effective HPWS and employee engagement practices and HR's influence also waxes in a full-employment economy and wanes in a high-unemployment economy. (See Cushen this volume in relation to HRM under financialisation)

Other macro-level developments are also important drivers of the engagement trend. An important example is financialization. In the American context, financialization of business started in the 1980s, has steadily advanced, and without legislative action is likely to continue. Financialization refers to the growing focus in business on making money through short-term trading and financial asset investment rather than long-term product innovation and investment in physical, human, and intellectual capital. One consequence of financialization is a trend from stakeholder governance and strategy to shareholder governance and strategy; a second consequence is a shift away from long-lived investments in plant, equipment, workforce development, and R&D and toward shorter-term cost reductions, financial investments, and merger/acquisition plays. As an independent EE driver, and as it works indirectly through the HPWS channel, greater financialization has on balance a clear negative influence on the projected engagement trend. European and Asian companies may have the advantage in this area since their national economies and business systems are less free-market, neoliberal, and finance-driven and thus provide an economic environment more encouraging to the longer-

lived types of physical/human capital investments which are conducive to a high-engagement workplace.

Another macro-level trend affecting employee engagement is shifts in the occupational and educational composition of the workforce. People in white-collar jobs, for example, report higher average levels of engagement than people in blue-collar jobs, as do college graduates relative to high-school graduates (Truss, Delbridge, Alfes, Shantz, and Soane, 2014; Bryne, 2015). These factors on balance favor a rising engagement trend.

Other macro-level contextual and driver factors can be cited but at this point the general outline is established. Some underlying trends, such as greater IT connectivity, white-collar share of employment, and transformed socio-technical work systems promote engagement while others, such as expanding financialization, low-wage service sector, and shrinkage of the manufacturing base reduce engagement levels.

All of these factors affect the direction of the EE trend line but recent research also finds that to determine the ultimate outcome one also has to know how company CEOs and top leadership teams react to them. A research study by IBM Analytics (2017) finds, for example, that fully 70 percent of the variation in employee engagement experience is attributable to strategic decisions and actions of company managers. As has been visible for decades, many CEOs and companies say employees are their most valuable asset but far fewer consistently and credibly walk the talk. If levels of employee engagement are to significantly increase over the next decade, the start point will be with a broad range of CEOs who articulate a stakeholder/HPWS form of people-led business strategy, drive the strategy throughout the company and into the fabric of the culture, make large and visible investments in the people-led strategy, and ensure the psychological contract is consistently honored or revised only after genuine employee participation and voice.

It is not obvious, once all the rhetoric is stripped away, that the underlying drivers are in place on the company side to spur such a people-led, high-road, HPWS movement on a significant scale (Osterman, 2018). Similarly, employees are only willing to make a major investment of their minds, bodies, and hearts in the success of their companies if they have long-term job

security and trust the organization will reciprocate with proportional investment in things that matter to them, such as well-paying jobs with interesting work, career development, and meaningful voice and participation. The conundrum is these employee perquisites raise and rigidify direct short-run labor cost which many companies seek to avoid and also require managers to share more of their time, power, resources, and decision making which many resist (Stewart, Astrove, Reeves, Crawford, and Solimeo, 2017).

Our conclusion, therefore, is that the overall level of EE may rise somewhat in the next decade as a larger share of the economy's jobs shifts to more intrinsically motivating and meaningful professional, technical, creative, and knowledge occupations but, for the rest of the workforce and for the reasons outlined above, simply maintaining the current level of employee engagement is likely to be a challenge. Should the current decade-long economic expansion end, say from trade wars, over-speculation in stocks/real estate, or stagnant growth in household income and purchasing power, the engagement outlook for people in the lower-half of the job hierarchy correspondingly deteriorates.

### **Conclusion**

The future of work topic examined in this chapter is employee engagement. While many thousands of articles, reports, and books have been written on engagement in the last thirty years, and many box-arrow causal models drawn and explained, very few studies have taken these ideas and tools and used them to analyze the future direction of a workplace outcome, such as employee engagement. The engagement level of employees over the next decade, for example, may follow a steady upward trend, remain roughly constant, decrease along a negative trend line, or cycle up and down, and it is a value-added function of scientific research to provide an informed prediction.

In this chapter we have adopted an analytic, model-driven approach to predicting the future direction of employee engagement. This approach, encouraged by Boxall, Purcell, and Wright (2008) as a method to strengthen the scientific credibility and contribution of management research, will not appeal to all readers and, as with other approaches, has strengths and weaknesses. It does provide, however, a systematic framework for thinking about employee

engagement as a dependent variable, the independent driver variables that cause it to change, important contextual and moderator variables that condition main effects, the nature of the cause-effect mediating process and key variables in it, and the entire bundle as an interdependent system. An important part of the scientific project is to develop logical cause-effect explanations of human behavior patterns, express them as theories, translate the theories into operational models, and use the models to deduce hypotheses and predictions. Even if our predictions of the future course of employee engagement prove greatly inaccurate, the exercise nonetheless makes a methods/tool contribution through the development and application of an analytical modeling framework and a theoretical/empirical contribution by clarifying the nature of the engagement construct and identifying not only variables that belong in an engagement model but also those that don't.

In ending, it needs to be said that all of the predictions -- or call them guestimates -- offered here are made with the proviso of *ceteris paribus*. Many aspects of the economic and political situation may greatly change in years ahead in ways that no one can anticipate, with large repercussions on companies, employees, workplace attitudes and relations, and behaviors such as employee engagement. A model can predict an outcome within a given situational context but change the situation, such as a global financial crisis, and we all enter uncharted territory.

## **Notes**

The author(s) acknowledge the following financial support the ARC (DP140100194) SSHRC (435-2015-0801), and from the Innovation Resource Center for Human Resources (IRC4HR).

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Table 14.1 Mean and distribution of engagement scores, four countries

	Manager survey			Employee survey		
	Frequency	Percent	Cumulative	Frequency	Percent	Cumulative
<b>United States</b>						
1 – Very Strongly Disagree	6	1.2	1.2	88	4.29	4.29
2	5	1	2.2	99	4.83	9.12
3	20	3.99	6.19	167	8.15	17.27
4 – Neutral	54	10.78	16.97	557	27.17	44.44
5	111	22.16	39.13	495	24.15	68.59
6	161	32.14	71.27	413	20.15	88.74
7 – Very Strongly Agree	144	28.74	100	231	11.27	100
Total	501	100		2,050	100	
Mean	5.63			4.68		
<b>United Kingdom</b>						
1 – Very Strongly Disagree	4	0.96	0.96	81	3.95	3.95
2	6	1.45	2.41	108	5.27	9.22
3	25	6.02	8.43	225	10.97	20.19
4 – Neutral	62	14.94	23.37	618	30.13	50.32
5	116	27.95	51.32	507	24.72	75.04
6	140	33.73	85.05	356	17.36	92.40
7 – Very Strongly Agree	62	14.94	100	156	7.61	100
Total	415	100		2,051	100	
Mean	5.28			4.49		
<b>Australia</b>						
1 – Very Strongly Disagree	6	1.5	1.5	56	2.8	2.8
2	10	2.5	4	86	4.3	7.10
3	27	6.75	10.75	159	7.94	15.04
4 - Neutral	67	16.75	27.5	582	29.07	44.11
5	99	24.75	52.25	548	27.37	71.48
6	118	29.5	81.75	395	19.73	91.21
7 – Very Strongly Agree	73	18.25	100	176	8.79	100
Total	400	100		2,002	100	
Mean	5.22			4.68		
<b>Canada</b>						
1 – Very Strongly Disagree	0	0	0	44	4	4
2	4	2	2	60	5.45	9.45
3	10	5	7	99	9	18.45
4 - Neutral	22	11	18	335	30.45	48.90
5	60	30	48	284	25.82	74.72
6	70	35	83	191	17.36	92.08
7 – Very Strongly Agree	34	17	100	87	7.91	100
Total	200	100		1,100	100	
Mean	5.42			4.52		

Note: Percent and cumulative totals have been rounded to 100 percent for United States and United Kingdom (both manager survey and employee survey) and for Canada (employee survey).