Operating in the new normal

Growth, business continuity, productivity
ServiceNow, August 2020
The economics of engagement

An opportunity for businesses...
Australian enterprise businesses could generate $46 million in additional profits.

There is a long way to go...

Technology can help...
68% of professional Australian workers agree technology frees up time to do more valuable tasks.
Decreasing the time employees spend on routine tasks by just 1 hour per week would increase employee engagement, leading to improved profitability.

One in three feel fatigued or stressed at the thought of facing another work day.

27% of professionals’ work time is spent on administrative tasks which aren’t their main job.

76% of Australian employees have ‘average’ or lower, levels of engagement.

42% spend more time engaging with people when technology is used to automate tasks.

Professional workers with greater access to, and use of, technology spend on average 6.8 less hours every week on admin.
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Executive summary

The business environment today is unlike anything Australian workers have previously experienced. The global economy and every organisation party to it are grappling with a historic and highly unpredictable disruption.

The COVID-19 crisis has pushed organisations to rethink virtually every aspect of their operations. Digital transformation has accelerated as businesses tear down old roadblocks.

Businesses need to be able to rely on their people. It is people who maintain growth, productivity and profitability. Worker engagement – the positive, fulfilling, work related state of mind – is critical to how effectively businesses can respond to a crisis. Increasing engagement can increase productivity, and deliver the innovation needed to thrive.

Our research, commissioned by ServiceNow, based on a survey of 1,500 professionals conducted between December 2019 – January 2020 in four countries, as well as bespoke econometric modelling, finds that improving worker engagement can produce bottom line benefits for organisations. Businesses with more engaged workers have higher sales growth, quality of products or services, and customer satisfaction relative to other organisations, as shown in Chart i.

In this Australian edition of Operating in the new normal, we also examine the level of engagement in Australian professionals. We find the majority (60%) of professional workers in Australia have only ‘average’ levels of engagement. This creates opportunities for improvement in Australian businesses. Every week, one in three people feel fatigued or stressed at the thought of facing another working day, and 35% feel frustrated by work.

Chart i: Self-reported business performance by level of engagement

Source: Deloitte Access Economics survey, commissioned by ServiceNow.
COVID-19 has only emphasised the importance of employee engagement. Teams are physically separated, employees have heightened external health and economic concerns. All of these factors have potentially significant impacts on employee engagement.

One factor that can contribute to such feelings is the nature of tasks. Full time employees spend one quarter of their week working - whether in an office, working at home or a hybrid of both. Yet, professionals report that they spend 27% of their time on administrative tasks that aren’t their main job.

Our survey found that employees who use technology frequently at work spend less time completing administrative tasks. For the average full-time worker, this equates to 6.8 hours less on administrative tasks in a week.

New modelling for this report has shown improving employee engagement can create a potential 0.56% increase in profitability for a company.

Even small changes in work design can unlock these benefits. If employees spent one hour less on routine tasks each week, it could improve employee engagement. The uplift in engagement would create an estimated $46 million in additional profits for the average enterprise.

These benefits could be magnified for the 40% of Australians whose jobs are dominated by routine tasks.

The right technology solutions can allow people to focus on the tasks that really matter. This is particularly critical now, as Australian businesses seek ways to recover from the impact of the global pandemic.

Over two thirds of Australian professionals surveyed agree that technology helps workers process repetitive tasks faster. In the age of artificial intelligence, machine learning and automation, businesses have myriad opportunities to further streamline and automate routine tasks.

Yet the technology has to be the right fit for the organisation. Employees using technology not suited to their required tasks are nearly twice as likely to have low or very low engagement than those employees in workplaces where technology is integrated more seamlessly.

In many cases, organisations simply adding more digital processes have not delivered the productivity benefits anticipated. Instead, businesses stand to gain from acting strategically and thinking about how new investments relate to existing digital systems.

Better connecting talent with technology could create benefits not just for businesses but for the economy overall. In the context of a heavily disrupted global economy, this is an opportunity businesses can’t afford to miss. By adopting time-saving technology, businesses can improve their productivity. But there is a second dividend. It provides people with more opportunities to focus more on what really differentiates a business – providing a better experience and service for customers, and enabling an innovation mindset. Ultimately such technology investment and uptake unlocks more potential for businesses to recover – and to thrive in the ‘new’ normal.

Deloitte Access Economics
In a globally competitive and uncertain world, two certainties remain consistent: customer expectations keep rising and employees continue to seek enhanced experiences from their employers.

Through successive industrial revolutions, people have been at the core of prosperity. Over the last five decades, labour productivity – the value created per hour worked – has been responsible for over half of the growth in national income.\(^1\)

Many businesses have recently made a step-change in their digital transformation. Yet people and their contribution will remain central to future success. New modelling designed for this report has shown that saving employees just one hour of routine tasks could create a more engaged workforce – for a large enterprise that could translate into $46 million in additional profits.\(^1\)

An important caveat for this estimate is that it results from increasing profitability from individual businesses. If all businesses in the economy go through the same process, the increase in profitability, while still present, will be reduced by greater competition.

Increased engagement and profitability has the potential to raise our national living standards. Over time, growth in labour productivity has declined (see Chart 1.1), which has meant slower growth in living standards.

One avenue to reverse declining labour productivity is to accelerate the use of technology – what some might call the digital transformation journey – to help make people more productive and in turn more engaged. Intelligent software and systems can reduce the volume and duration of repetitive, manual tasks. In doing so, businesses can free up time so that people can focus on more meaningful work which, in turn, increases engagement.

**Chart 1.1: Average labour productivity growth by decade**

![Chart 1.1: Average labour productivity growth by decade](chart.png)

Source: ABS (2020).\(^2\)

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i. This figure is based on a 0.56% uplift in profitability across the 200 largest companies by revenue in Australia in 2019. Profitability was measured as the ratio of net profit before tax over revenue generated.
This research was commissioned by ServiceNow to examine how the nature of tasks affects employees’ feelings about work and their work performance.

This study quantifies how different tasks affect employee engagement and how streamlining or automating routine tasks can help. It draws on data from a new survey of 1,500 professionals in four countries to examine both the routineness of particular tasks and the level of worker engagement. Further details on the survey are available in Appendix A.
2. Maximising productive time

Australian professionals spend, on average, 27% of their workday on administrative tasks. For full-time workers, this represents more than a day spent every week on tasks that are not the most productive use of their time.

Administration and paperwork can be both necessary and important. Processes like health and safety reporting and appropriate records management have an important role in business. However, an over-emphasis on tasks which are not the main focus of a role or inefficiencies in administration can be costly and crippling.

Indeed, there are many roles which are primarily focused on routine tasks. Almost 40% of professional jobs in Australia – representing 3.1 million employees – can be classified as ‘routine’ as shown in Table 2.1. This is based on an international classification of the routineness of tasks and task frequency inside each occupation. Examples of ‘routine’ occupations include record keeping, payroll clerks or mail sorters. More details are in Appendix B.

<table>
<thead>
<tr>
<th>Table 2.1: Number of routine professional occupations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of people employed (million)</strong></td>
</tr>
<tr>
<td>Routine occupations</td>
</tr>
<tr>
<td>Non-routine occupations</td>
</tr>
<tr>
<td>Total professional occupations</td>
</tr>
<tr>
<td>Share of occupations which are predominantly routine</td>
</tr>
</tbody>
</table>

Source: Deloitte Access Economics analysis, ABS census employment data, O*Net Online.
Note: The share of routine occupations aligns with previous estimates by Deloitte that half of all occupations in Australia can be considered as routine. However, this estimate includes both professional employees and other occupations. Other research suggests a similar share of routine occupations (42%) as the estimate in this report.

Making work better for people

Technology and digital platforms can streamline manual routine tasks. For example, automatic reporting from customer relationship management software can provide useful insights while not relying on manual data entry or manipulations. Our survey has found employees who use technology less than once a week spend 42% of their time on administrative tasks on average, while employees that use technology every day spend only a quarter of their time on administrative tasks.
Professional workers who use technology at work every day, as opposed to once every week, spend on average 6.8 hours less on administrative tasks in a week.\textsuperscript{ii}

Our survey found 68\% of surveyed employees find technology fast-tracks work to free up time for more valuable tasks. Also, nearly half (42\%) of survey respondents spend more time engaging with people as a result of technology automating some tasks.

\textbf{Chart 2.2: Survey attitudes towards technology reducing routine and repetitive tasks}

\begin{itemize}
  \item \textbf{68\%} Are able to do more valuable tasks as technology fast-tracks repetitive work
  \item \textbf{42\%} Spend more time engaging with people as technology automates tasks
\end{itemize}

Source: Deloitte Access Economics survey, commissioned by ServiceNow.

\textsuperscript{ii} Assuming full-time equivalent of 40 hours. Note that this does not control for other factors such as occupation, seniority or age.
3. The double dividend

There are clear business benefits to reducing the amount of time that workers spend on tasks that aren’t their main role. Technology can help to achieve these tasks more efficiently.

Figure 3.1: Reduce routine tasks to increase engagement

Reducing routine business tasks can have a double dividend of focusing on more productive tasks and increasing employee engagement levels. This could address a significant problem for businesses, as every week, one in three people feel fatigued or stressed at the thought of facing another work day.

In new modelling, we look at the relationship between engagement and routineness.

We find that if an employee were able to spend 10% less time on routine tasks, their engagement would increase by around 2%. It would also result in the number of employees with ‘high’ or ‘very high’ levels of engagement increasing from 25% to 28%.

While the number of employees moving into the ‘high’ or ‘very high’ categories is small, the impact of an employee reaching very high levels of engagement can be substantial.

This modelling uses data from O*NET and the survey of employees to measure the relationship between routineness and engagement, controlling for a range of other factors such as wages, education and gender. Further details on both modelling methodologies are available in Appendix B.
4. The impact of engaged workers

As Australian businesses move through the current crisis and beyond, labour productivity will be one of the primary drivers of growth in real national income per person.6

Unlocking the full potential of people isn’t just about freeing up their time. It also relies on empowering and motivating employees to do their best work every day. One measure of this is engagement – “a positive, fulfilling, work related state of mind”.4 This report assesses and classifies worker engagement by surveying professional workers using a modified version of the Utrecht Work Engagement Scale (UWES), as detailed in Appendix C.

Our survey shows that employees who have higher levels of engagement are more likely to say that their organisations are successful. In fact, people who were more engaged said that their organisations performed better than competitors on a range of both financial and non-financial metrics.

For example, employees with ‘very high’ engagement said that the profitability of their organisation was 20% higher than their competitors on average. Employees with ‘very low’ engagement, on the other hand, said that their organisations performed 1% worse than competitors on the same metric.

In addition, more engaged employees reported that their organisations had higher sales growth, quality of products or services, and customer satisfaction relative to competitor organisations. While these results reflect the perceptions of employees, the perceptions may have a tangible impact on employee actions and consequently performance of the business.

It is possible that more engaged people are simply more positive and therefore more optimistic in assessing the performance of their business. Yet, other organisation-wide studies find similar relationships between engagement and organisational performance. For instance, research by Gallup found that engaged teams have 21% higher profitability.5

Having a more engaged workplace can also create cost savings. Research into individual employee engagement reveals links to higher employee retention and lower employee turnover. The cost of turnover in Australia is estimated at $3.8 billion in lost productivity and $385 million in avoidable recruitment costs per annum; therefore, an engaged workplace both retains productive human capital while also avoiding costly rehiring and training costs.6

Figure 4.1: The cost of turnover in Australia


Even when we look solely at organisational-level engagement and performance as measured by senior executives, we find similar relationships. Senior executives who report that their organisations have higher levels of organisational engagement than competitors are 2.5 times more likely to report having higher profitability than competitors, compared to executives who believe employee engagement is about the same as their competitors.7
Why is it that businesses with more engaged staff perform better?

Employees with higher levels of engagement are associated with being more motivated and dedicated to their jobs (see Table 4.1).

These employee characteristics pave the way towards improved business outcomes as shown in Figure 4.2. This is more important than ever. An engaged workforce, with people who believe they are performing meaningful work, will be more resilient, adaptable and innovative as their leaders ask them to take on new challenges.

Table 4.1: Frequency of tasks for the median employee by engagement level

<table>
<thead>
<tr>
<th></th>
<th>Very low</th>
<th>Low</th>
<th>Average</th>
<th>High</th>
<th>Very High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assist other team members improve their skills</td>
<td>At least once a year or less</td>
<td>At least once a month</td>
<td>At least once a fortnight</td>
<td>At least once a week</td>
<td>Every day</td>
</tr>
<tr>
<td>Innovate</td>
<td>A few times a year or less</td>
<td>More than once a month</td>
<td>At least once a fortnight</td>
<td>More than once a week</td>
<td>Every day</td>
</tr>
<tr>
<td>Do more than I need to help a customer</td>
<td>A few times a year or less</td>
<td>More than once a month</td>
<td>At least once a fortnight</td>
<td>More than once a week</td>
<td>Every day</td>
</tr>
</tbody>
</table>

Source: Deloitte Access Economics survey, commissioned by ServiceNow.

Figure 4.2: How higher engagement results in better business outcomes

<table>
<thead>
<tr>
<th>Individual performance</th>
<th>Organisational performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Discretionary effort</strong></td>
<td><strong>Productivity</strong></td>
</tr>
<tr>
<td>Workers with higher levels of engagement are 66% more likely to voluntarily assist other team members and 79% more likely to go beyond their role at least once a week.</td>
<td>Engaged workers who put in more discretionary effort are more willing to go the extra mile, work with passion and feel connected to the company – improving overall productivity</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td><strong>Revenue growth</strong></td>
</tr>
<tr>
<td>75% of more engaged workers innovate (contribute ideas on how to improve work practices) at least once a week.</td>
<td>Research indicates innovative companies are expected to grow three times faster than less innovative companies</td>
</tr>
<tr>
<td><strong>Customer service</strong></td>
<td><strong>Brand loyalty</strong></td>
</tr>
<tr>
<td>73% of more engaged workers do more than they need to help a customer</td>
<td>96% of customers say customer service is important in determining their brand loyalty</td>
</tr>
<tr>
<td><strong>Employee satisfaction</strong></td>
<td><strong>Low turnover</strong></td>
</tr>
<tr>
<td>Very highly engaged workers believe their levels of employee satisfaction and loyalty are 32% higher than competitors</td>
<td>High levels of employee satisfaction, and engagement itself, are linked to higher levels of retention and low turnover</td>
</tr>
</tbody>
</table>

Source: Reilly (2016); PwC (2013); Microsoft (2017); Yang (2015)
5. Who needs the most help?

At the start of 2020, before the impact of COVID-19, 60% of Australian employees had only ‘average’ levels of engagement. And some lagged even further behind (see Chart 5.1).

Chart 5.1: Employee engagement levels in Australia

As we drive to rebuild, reinvent and recover business leaders should seek to understand the variances in engagement between levels of seniority and even ages, and how they can support workers with lower levels of engagement.
Engagement of Australian professionals by...

Age
- 6% of those aged between 18-24 are highly engaged
- 30% of those aged between 55-64 are highly engaged

Seniority
- 19% of entry-level employees are highly engaged
- 28% of senior management and executives are highly engaged

Industry
- 15% of employees in financial services are highly engaged
- 36% of employees in government are highly engaged
Levels of engagement vary between industries in Australia, as pictured in Chart 5.2. Levels of engagement appear to be most concentrated around the average in the financial services industry. The vast majority of employees had ‘average’ or middling engagement levels (75%), with comparatively few (15%) having above average levels of engagement.

On the other hand, those working for government reported the highest relative levels of engagement (36% were classed as engaged, compared to the average of 22%). In part, this may be because people working in government find their work more meaningful or impactful than those working in other industries.

The level of engagement also differed slightly by the size of the organisation. Overall, individuals working in smaller organisations were slightly more likely to be engaged. This is supported in other research. For example, a recent study found that 36% of employees from small companies reported being fully engaged compared to 26% of employees from larger companies.12 In part, this might be because people working in smaller organisations are more able to see the results of their work, and feel more trusted with a greater connection to leadership and the company overall.

Chart 5.2: Employee engagement levels in Australia

Source: Deloitte Access Economics survey, commissioned by ServiceNow, n=402.
The survey found a significant proportion of younger employees have low engagement. Nearly one in five of those aged 18-24 (19%) and 35-44 (18%) had engagement scores classed as ‘low’ or ‘very low’, compared to the average of 13%.

This finding on the importance of age for engagement is supported in broader literature. For example, research conducted by ServiceNow found that almost half (49%) of Gen Zs have experienced burnout in the past year. Also, the Deloitte Millennial Survey found that millennials and Generation Zs are increasingly becoming more pessimistic about the role of businesses, with only 55% believing that business has a positive impact on society in 2019 compared to the 76% in 2017.

Lower engagement amongst younger people may also reflect levels of seniority. Our results show that as seniority levels increase, so too does engagement; 28% of senior executive management in Australia are highly engaged, compared to 19% of entry-level employees. This higher level of engagement may relate to control over role their role. Australia has a relatively high proportion of managers in general, with 13.5% of male managers and 9% of female managers compared to the OECD average of 7.9% for males and 4.8% for females.

While other studies have found similar links between seniority and engagement, this presents a clear call to action. Businesses need to ensure that managers and executives remain highly engaged – but also, that these leaders in turn foster engagement in their teams.

Engagement is a function of a range of factors. Decreasing the level of routineness can contribute to higher levels of engagement. However, even employees in very routine jobs can have high levels of engagement. Building a strong sense of shared purpose, recognising the contribution of staff and having an inclusive culture all play an important role.
6. The economics of engagement: Enhance the employee experience

Customer experience has long been recognised as a key factor in business results. Employee experience can play an equally important role.

By embracing technology, organisations can enable their people to be more focused on the work that matters and thus be more engaged.

This report shows that even small decreases in routineness can enhance employee engagement. This, in turn, leads to better business outcomes: improved profitability, customer service and other metrics.

By enabling employees to focus on more meaningful work, technology - such as platforms that prevent double entry of data or customer relationship management (CRM) software that can analyse data – can increase engagement. Our survey found that workers who use technology at work every day were twice as likely to have above average levels of engagement than those who only used it once a week and consequently were forced to complete more manual tasks.

And there is further potential. Emerging technologies such as natural language processing software are being used to analyse large datasets and generate reports much faster and more accurately than human workers.18

However, this is not to say that all technology will necessarily result in better engagement. One third of Australian employees feel frustrated by technology at their work. Technology needs to be appropriate and user-friendly. If technology is not practical, it can actually detract from engagement. Employees who do not believe that the technology in their workplace is appropriate are twice as likely to have very low engagement rather than an average level of engagement.

This suggests that organisations need to make strategic investments in technology that are easy to use but suit the people they are designed to assist.

By improving employee engagement through adopting time-saving technology, businesses could support a better economy through stronger performance, and more meaningful, engaging work environment for their employees – a win for everyone.

Tips for reducing routineness

Knowing where to start in transforming a business through technology solutions can be nebulous. However, the below questions can be useful as a starting point.

1. **Have you listened to an internal perspective?**
   Before developing technology plans, consider consulting with employees to identify an issue or the requirements of a solution. Other parts of your business may already have solutions. Cross-division collaboration is important for ensuring consistency and not having to start from scratch multiple times for a single business.

2. **Who is the relevant expert?**
   Organisational context may narrow perspectives or potential solutions. Getting outside assistance and ideas on best practice may broaden the range of potential solutions.

3. **Are there synergies or overlaps to consider?**
   Narrowly defining a problem or pain point in isolation might mean missing broader opportunities. Thinking holistically about entire work processes may lead to greater efficiency gains.

4. **Do you have a plan for your talent, as well as your technology?**
   Not everyone feels comfortable working with new technology. Making sure that technology solutions are user friendly, and providing appropriate training, may make a big difference in adoption and engagement.

5. **Where does the new solution fit?**
   A solution is often part of a larger system of digital processes. Beyond knowing how an individual application or platform works, employees need to know the big picture and where relevant solutions fit in. This should allow employees to navigate multiple platforms to achieve the objective of their work.
References


02. We correspond O*NET occupations to Australian occupations based on the Australia and New Zealand Standard Occupational Classification (ANZSCO), and use this correspondence as well as employment data to calculate the total proportion of office jobs which are routine.

03. Deloitte, The path to prosperity: why the future is human (DAE Press, 2019).


23. Differences may occur due to rounding.


29. Ibid.
Limitation of our work

General use restriction

This report is prepared solely for the use of ServiceNow. This report is not intended to and should not be used or relied upon by anyone else and we accept no duty of care to any other person or entity. The report has been prepared for the purpose of examining the relationship between worker engagement for professionals in their current role and work performance. You should not refer to or use our name or the advice for any other purpose.
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