



# Human Capital Management's Employee Disconnect. A Global Snapshot.

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# Introduction

After twenty years of technological innovation, corporations and their Human Resources (HR) departments still seem to be significantly disconnected from their organization's single largest investment – their workforce.

In measuring perceptions of both employees, HR leaders and other senior leadership on key human capital management (HCM) metrics, several recent ADP Research Institute® studies find a wide disparity in those perceptions. After many years of where both HR and employees had access to vastly improving and more efficient communications tools and processes, one might expect a closer alignment between the two. This persistent division between HR and employees on so many issues vital to the successful management of human capital is more than interesting. It suggests bothersome trends in HR.

Reducing errors and the demands of resource-intensive transactional activities is clearly a positive benefit of HR technology investments. There are, however, other advantages to managing employees and their data more effectively. Namely, the rewards of easier access to information and ease of reporting. These have the ability to elevate HR's role to that of a more strategic contributor to an organization's success.

While the efficiency aspect is important for HR to perform in a fiscally responsible way, ADP's global research into the perceptions of employees across companies of all sizes and industries indicates a persistent and fundamental disconnect between those employees and their respective HR organizations. The HR function at the organizations studied appears to be on a very different page than their employees. The research also indicates that HR and senior leadership seem to be experiencing a disconnect on fundamental issues.

So, how concerned should stakeholders be? Are corporations reading the pulse of employee engagement with sufficient accuracy? Is HR relying on distorted data to advise senior management? Is senior management content to build projections on possibly unreliable information? Is relevant data being read at all?

**How well is the organization's single biggest asset being directed?**



# The HR/Employee Disconnect

Disparities in perceptions between employees and HR departments in companies of all sizes have come to light in these ADP Research Institute® global studies – *Quantifying Great Human Capital Management* (2013), *Employee Perspectives on Human Capital Management* (2013) and *HR 360* (2013). Each study, which measured perceptions of status and value of the HR function, showed significant differences of perception between workers and HR in several key areas:

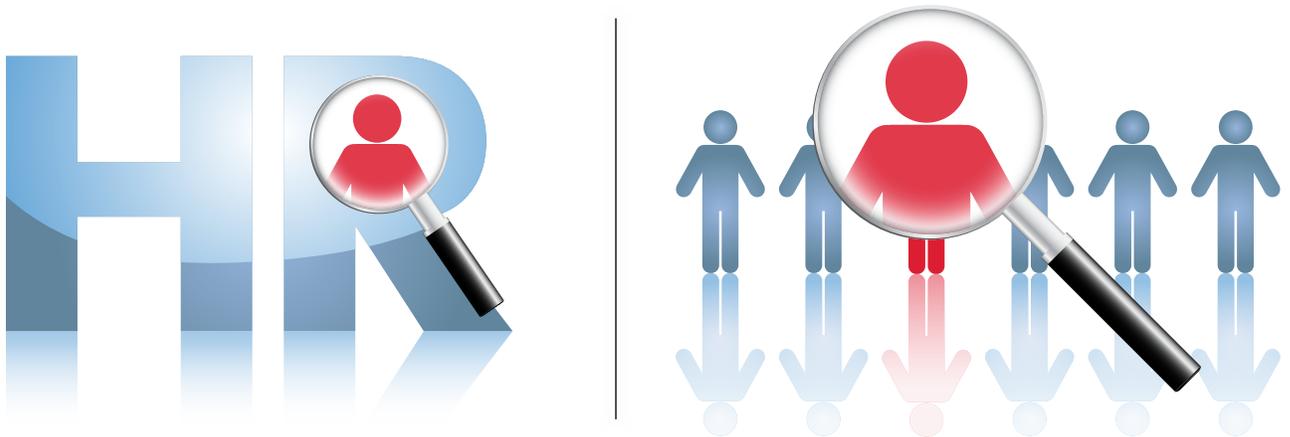
- How well employees are being managed;
- How well questions regarding HR and benefits issues are addressed;
- Whether feedback is communicated or even collected; and
- Performance evaluations.

Responses from participants also show similar gaps in perception between HR and senior management on these same topics.

So, what does all this mean and why does it matter? Clearly, these perceptual differences may be indicative of larger issues, such as:

- How much are strategic corporate decisions being undermined?
- Are the advantages of a strategic HR function being actively sought and realized?  
Or, have they been sacrificed in favor of mere transactional efficiency?
- Are investments in technology not delivering the benefits of better communication?
- Are competitive advantages – based on a well-directed, engaged workforce – eroding?

Given that workforce issues are a fundamental focus for HR and that advances in communications tools should have reduced some of the data management barrier, expectations might be for a closer – rather than a more distant – alignment with the workers. Indeed, HR could mine the related data for information instead of just keeping up with the transactions. More importantly, the divide among workers, HR, and senior leadership is profound.



# When Is Perception Reality?

Would most employers be surprised to learn their employees have a somewhat negative baseline view of both their work situation and of the Human Resources function? Probably not. When it comes to employee engagement and delivering on corporate strategies, perception by employees of how well the organization is run and the value of their involvement can be a lesson in reality. In this study, the distance in perceptions appears significant and noteworthy.

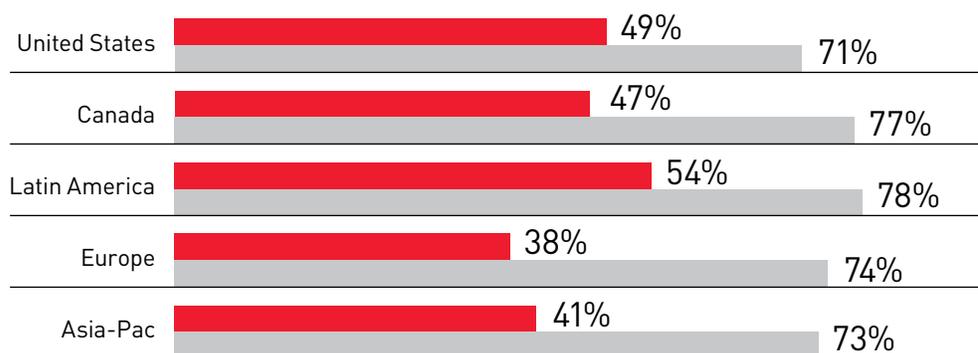
When it comes to employee engagement and delivering on corporate strategies, perception can be a lesson in reality.

The ADP Research Institute® studies show that workers across the globe consistently have a far more negative perception of how well companies are managing them than their HR leaders and C-suite senior executives believe. The employees rated separate components of senior management in a less positive light as well:

- Employees rank the level of their compensation and benefits less favorably than HR or management does.
- With the exception of the U.S. workforce, employees rate their work/life balance significantly lower than the perceptions of HR or senior management.
- Career opportunities – a key driver for keeping employees – receive significantly lower ratings from employees than from HR.
- Senior leadership is also rated less positively by employees than HR – sometimes as low as employees rate the HR function itself.

Overall in these studies, HR practitioners across the globe have a more positive impression of how well their companies are managing employees than employees do. The employees have only a somewhat positive impression. The significant gap in perception between employees and HR begs the question of how companies can effectively fine-tune workplace strategies when the perception of the vitality of the HR function is so different between employees and HR professionals.

FIGURE 1. How Well Companies Manage Employees — Employee to HR Comparison (Extremely/Very Well)

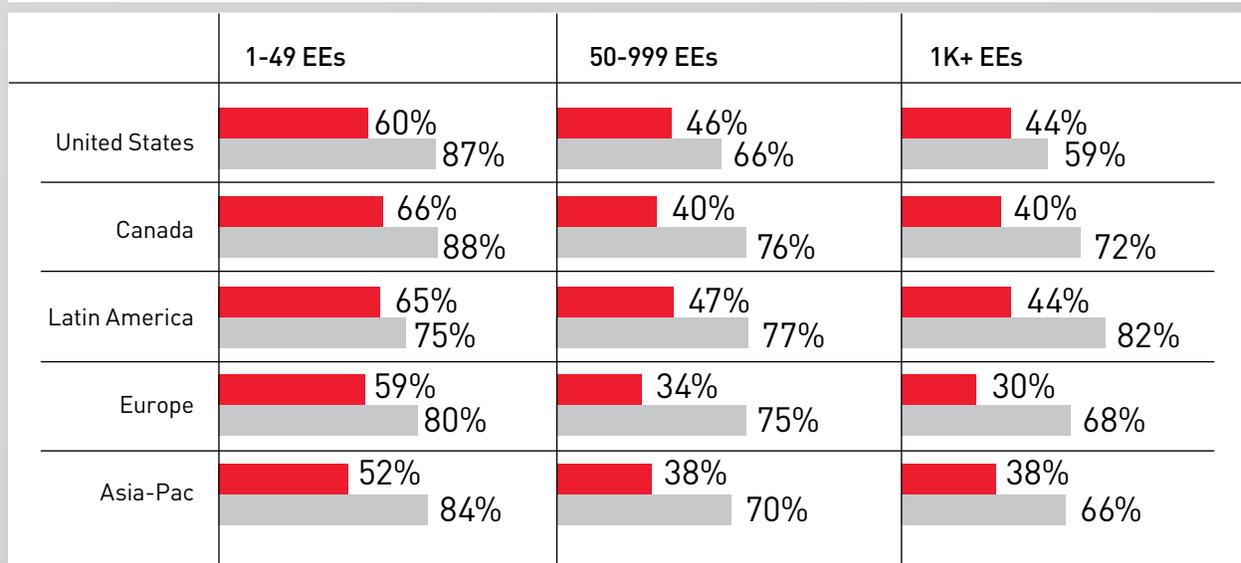


Sources: ADP Research Institute, Employee Perspectives on HCM Study, 2013.  
ADP Research Institute, Quantifying Great HCM, 2013.

■ Employees ■ HR

Something else to note here: employees' perceptions of how well the organization is managed declines as the organization gets larger. This shows up consistently and regardless of region of the world. Moreover, with the exception of the United States, the gap between HR and employees' perceptions on that issue tends to widen as the organization gets larger.

FIGURE 2. How Well Companies Manage Employees – Company Size Comparison (Extremely/Very Well)



Sources: ADP Research Institute, Employee Perspectives on HCM Study, 2013.  
ADP Research Institute, Quantifying Great HCM, 2013.

■ Employees ■ HR

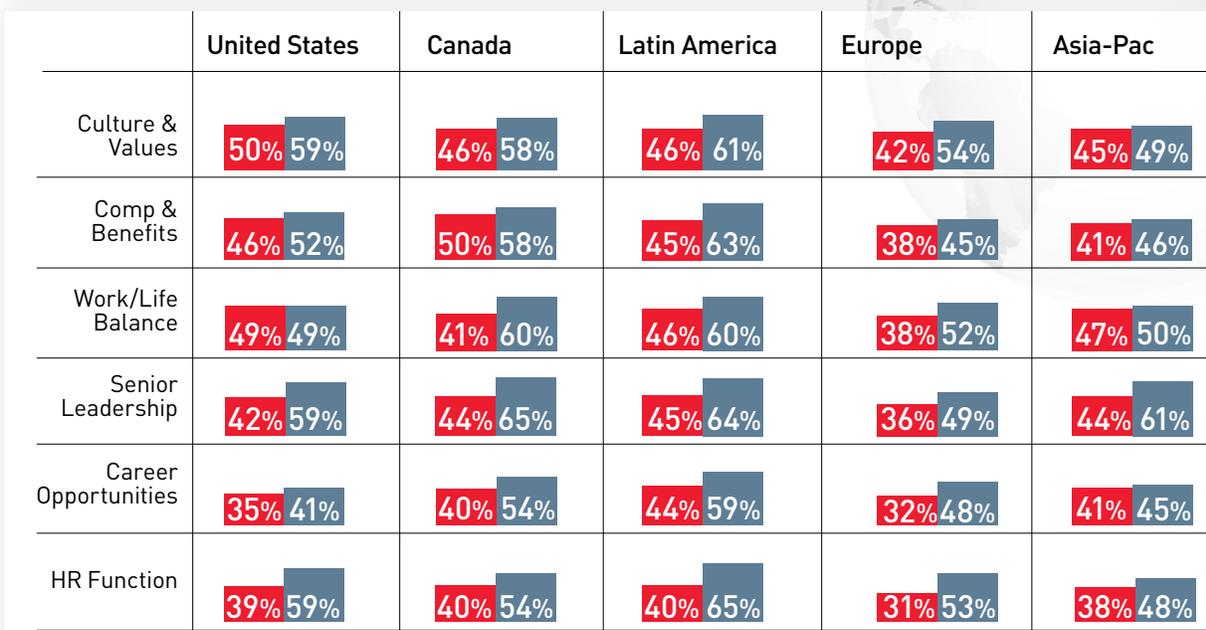


# Employer-Sponsored Benefits Are Expensive But Do Not Generate Maximum Perceived Value

Providing benefits to employees is not a simple matter. Benefits are both expensive and resource-intensive – both to offer and to administer. There is then some logical expectation that these benefits have value to the employee and employer. And, to some degree, they do. However, responses in this study indicate that employees consistently rate compensation and benefits lower than the HR people who typically provide those benefits.

With the exception of the United States, employees generally rated the quality of the work/life balance in their organizations lower than did their HR colleagues. Perhaps this results in part from situations where HR might be more focused on supporting upper management and less on being an objective resource for the employee, as might be expected. Would it be surprising to discover that in these situations, HR is also overwhelmed and under-resourced? Or that HR is less than well-supported by senior leadership? Those might be topics for another study, but here, at least, we note that the employees also rated the quality of their senior leadership almost 20 points lower than did HR.

FIGURE 3. Employees Versus HR Leaders Ratings, by Region  
(4 or 5 Out of 5 Stars)



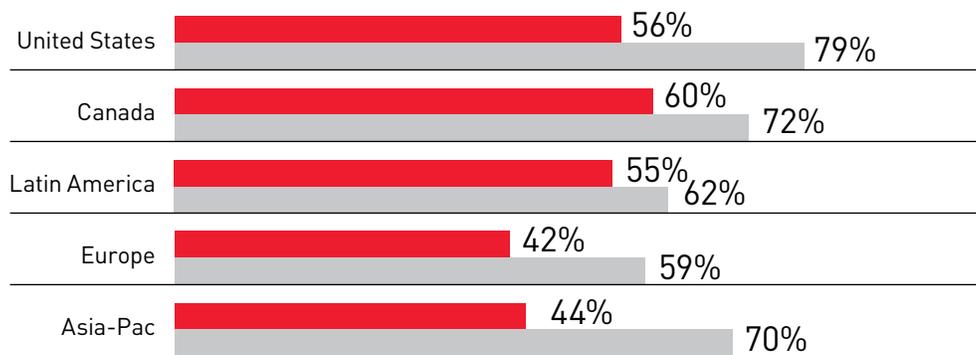
Sources: ADP Research Institute, Employee Perspectives on HCM Study, 2013.  
ADP Research Institute, Quantifying Great HCM, 2013.

■ Employees ■ HR

# Getting Answers

HR leaders and senior leadership are both, again, significantly more satisfied than their employees with the process of employees getting answers to HR and benefits questions. The disparity between HR's belief and employees' belief is greatest in the Asia-Pacific region and in the United States, but it is also significant in Europe. Overall, only about half of employees find getting answers to their HR and benefits questions "very" or "extremely" easy.

FIGURE 4. Ease of Getting HR/Benefits Questions Answered — Employees Versus HR, by Region (Extremely/Very Easy)



Sources: ADP Research Institute, Employee Perspectives on HCM Study, 2013.  
ADP Research Institute, Quantifying Great HCM, 2013.

■ Employees ■ HR

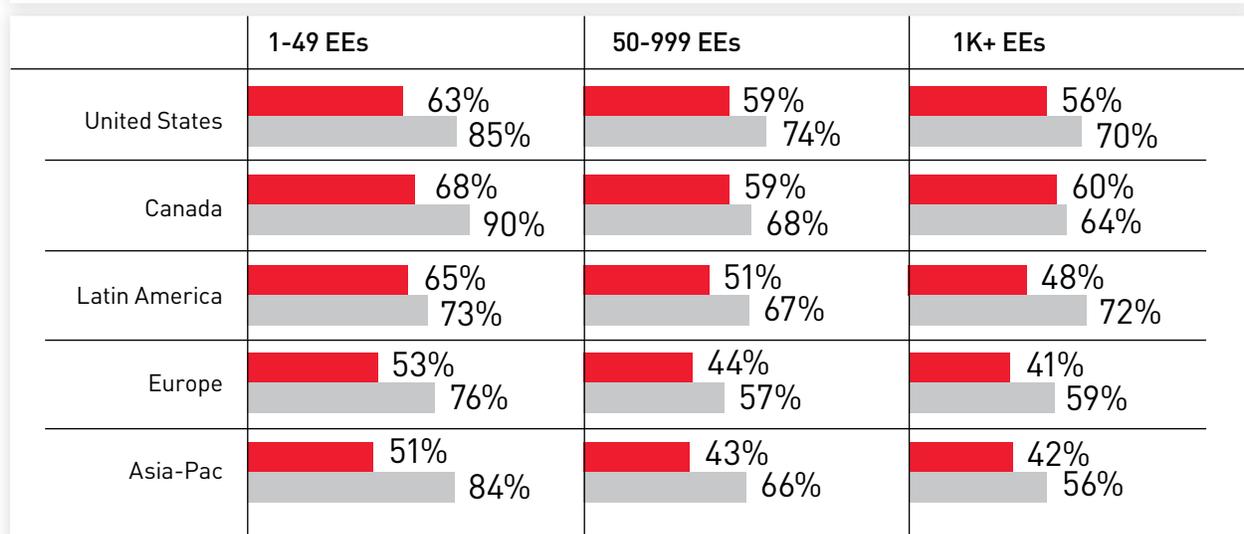
Figure 5 shows that small organizations (under 50 employees) have the widest gap in opinion between HR and employees about how easy it is to get HR/benefits questions answered. In Latin America, the employer and the employees almost agree about the ease of getting questions answered. But small businesses in other regions experience as much as a 35-point (Canada) or even 39-point (Asia-Pacific) difference.

In large companies, employees and HR in the Asia/Pacific region are fairly agreeable on this subject; others less so – except, notably, in the United States.

In some regions, the difference is as much as 39 points. HR's perception appears significantly disconnected with employees' reality.

Once their questions are answered, are employees satisfied with the process? HR leaders' responses in this research also indicate a belief that employees are far more satisfied with the process of having their HR and benefits questions answered correctly than employees indicate they actually are.

FIGURE 5. Satisfaction With Process of Getting Answers by Company Size, by Region (Extremely/Very Satisfied)



Sources: ADP Research Institute, Employee Perspectives on HCM Study, 2013.  
ADP Research Institute, Quantifying Great HCM, 2013.

■ Employees ■ HR

Until the recent economic downturn, benefits have been either the second or even the most important driver of job satisfaction, according to the Society for Human Resource Management. If employees believe that their experiences are significantly worse than what HR believes, how does HR improve the process and fully reap the advantages of providing benefits?

Successful HR leaders and their financial colleagues maintain that the quality of benefits helps recruit and retain the employees they most want to keep.<sup>1</sup> Internal ADP® studies support that assertion, as seen in the chart to the right. But, there also exists a direct connection between how well employees understand their benefits and whether they feel valued and engaged at work.<sup>2</sup>

### The Role of Medical Health Insurance

	< 50 EEs	50-999 EEs	1000+ EEs
<b>Critical/Very/Moderately Important</b>			
Attracting Quality Employees	66%	85%	88%
Retaining Key Employees	72%	88%	90%

Source: ADP Benefits Study 2013

<sup>1</sup> Simonds, Mike, "Better ROI From Benefits." BusinessWeek, 8 January 2010. Accessed 18 November 2013 via [http://www.businessweek.com/managing/content/jan2010/ca2010016\\_920870.htm](http://www.businessweek.com/managing/content/jan2010/ca2010016_920870.htm). <sup>2</sup> Ibid.

## Where Do Employees Go For Answers?



These ADP Research Institute® studies showed that more than half of employees in large U.S. companies cite an employee portal as an important informational resource. But, less than one-third of their HR leaders shared that conclusion.

A centralized HR department (via a toll-free 800 number) is cited by more than half of employees surveyed as a resource for answers. Less than one-quarter of HR leaders cite their own department as a resource for employees seeking answers. What does this difference indicate? An under-resourced area? Or, a drive toward other processes?

The options primarily cited by HR leaders for employees to get answers to their questions are:

- An in-office HR team
- A dedicated HR representative
- The employee's manager

However, employees' responses cited these resources much less frequently. In fact, employees are turning to the automated sources more than their HR leaders think, and are citing the following options as the most important for getting answers:

- Portal
- 800 number

The Human Resources function typically creates and maintains the methods of communications for employees, particularly those involving HR or benefits questions. A strong alignment of both preferred use and availability of tools would be preferable, if only for the efficient use of resources.

# The Issue of Talent Management

How well do employers' perceptions regarding their talent management operations track with those of their employees? This key issue is another area where HR leaders, in companies from all regions, consistently perceive themselves to be more aligned with their employee populations than their employees indicate they actually are.

FIGURE 6. Agreement With Statements — Employees Versus HR

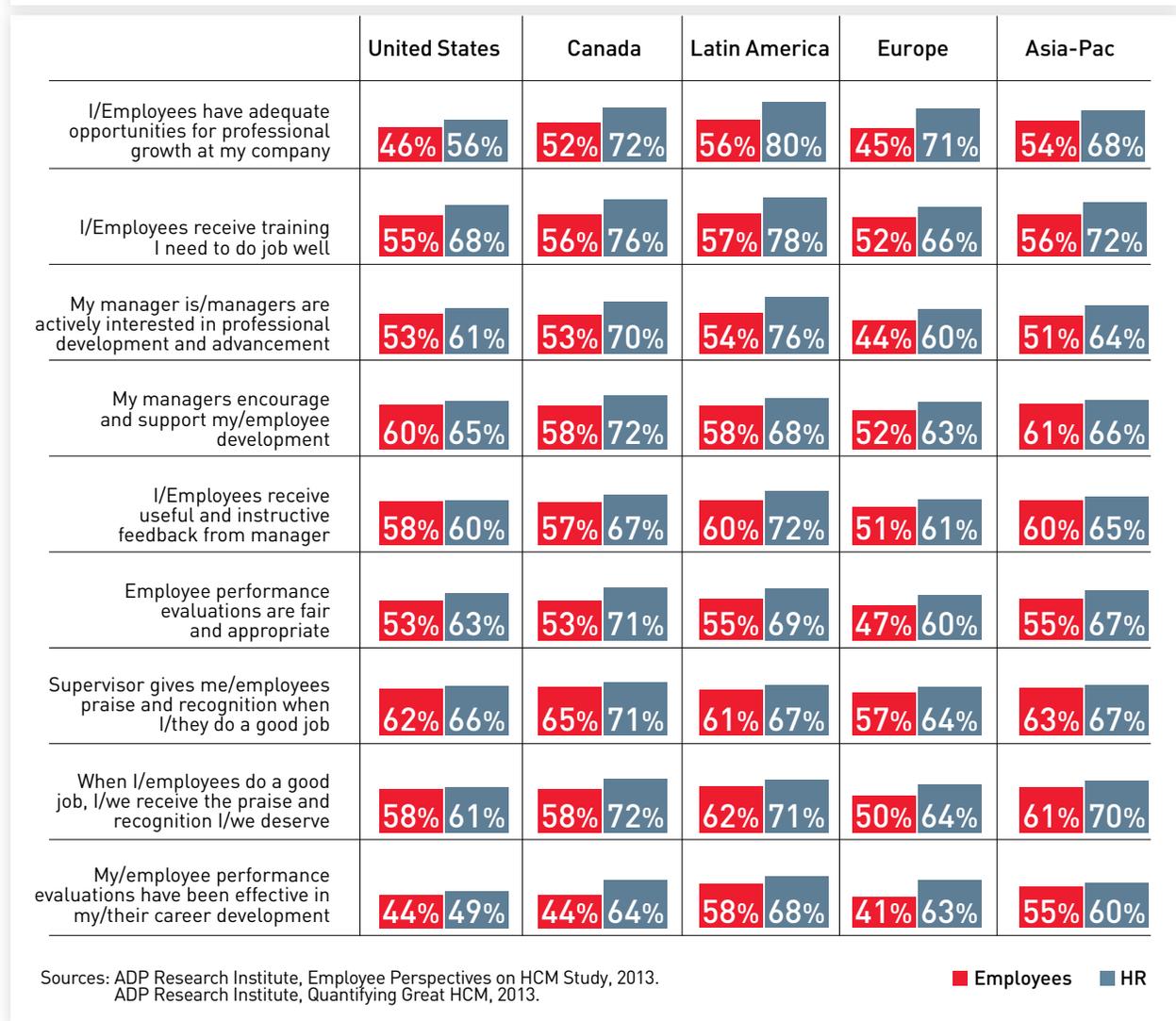


Figure 6 shows that there are some regions where the difference is especially great: In Canada, Europe and Latin America, employees are significantly less likely to feel they have even adequate opportunities for professional growth in their companies. In Canada and Latin America, employees are significantly less likely than HR to feel they receive the training needed to do their jobs well. In Europe and Canada, employees do not believe, to the same extent as HR, that their performance evaluations have aided their career development.

# Why It Might Matter to You

Senior management builds strategies and initiatives based on informed expectations of performance. Employees' perceptions influence their actions – or inactions.

Actions running contrary to expectations tend to undermine the accomplishment of goals and strategies. Significant differences in understanding, especially on key issues like benefits and the opportunity for growth, indicate either a lack of effective communication or, at least, a disconnect with the workforce. Or worse, sheer disinterest.

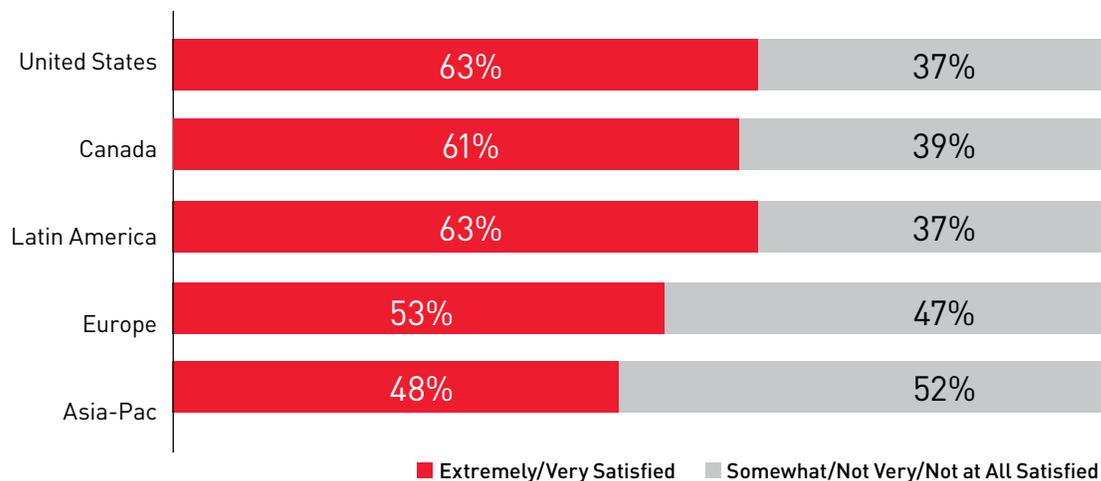
These ADP Research Institute® studies showed that at least one-quarter of all employees across the globe say they are merely “somewhat satisfied” or worse concerning the company for which they work. And, at least a third – and sometimes more than two-thirds – rate their company poorly on how it manages employees.

One-quarter of employees are merely “somewhat satisfied” or worse concerning the company for which they work.

At least a third rate their company poorly on how it manages employees.

Source: ADP Research Institute, Employee Perspectives on HCM Study, 2013.

FIGURE 7. Overall Employees' Satisfaction With Company



Source: ADP Research Institute, Employee Perspectives on HCM Study, 2013.

Common predictors associated with employees leaving their company include:

- Inadequate opportunities for advancement within the company;
- Negative feelings about the company's management of employees;
- Age; and
- Length of tenure

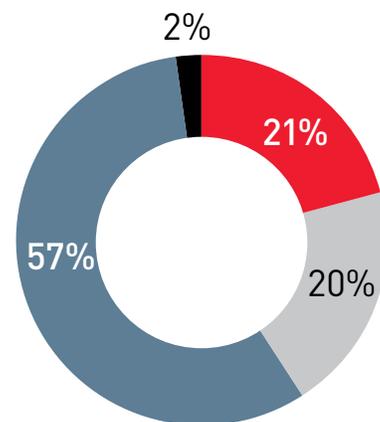
The end of the work/life cycle impacts two of these predictors – age and tenure. The other two – plus many of the secondary predictors – are greatly influenced by HR functions and how well HR personnel accomplish their mission.

Responsible for the attraction, selection, training, assessment and rewarding of employees, HR can also oversee organizational leadership and culture – while helping to ensure compliance with employment and labor laws. Therefore, there are very few industries where misjudging the human capital component – typically an organization's single most expensive asset – would not impact results.

Specifically, if HR thinks it is performing very well while the workforce differs with that perception, then an important link in the chain of success is not in place. A primary component of corporate governance – through the mishandling of a significant resource and financial obligation – is failing as well. In comparing the perspectives of employees with that of HR on identical key issues, the gap in perception is statistically great enough to warrant concern.

In U.S. companies for example, two out of five employees surveyed indicate an intention to leave their company within the next 12 months.

FIGURE 8. U.S. Employees' Likelihood to Leave Job



- Extremely/Very Likely
- Somewhat Likely
- Not Very/Not at All Likely
- Don't Know

Source: ADP Research Institute, Employee Perspectives on HCM Study, 2013.



Among those who feel it is extremely or very easy to have their HR questions answered, less than a fifth say they are likely to look for a new job in the next 12 months. Among those who say it is not easy to have their HR questions answered, the number almost doubles to more than a quarter.

Among those who say getting HR answers is NOT easy, the number looking for a new job nearly doubles.

FIGURE 9. U.S. Employees' Likelihood to Look for a New Job, by HR Satisfaction Measurements



Likelihood to Look for a New Job in the Next 12 Months	Ease of HR Questions Answered		Satisfaction With HR Process	
	Extremely/Very Easy	Not Easy	Extremely/Very Satisfied	Not Satisfied
Extremely/Very Likely	15%	27%	15%	29%
Not Very/Not At All Likely	69%	43%	69%	40%

Source: Employee Perspectives on HCM Study, 2013.

Looking at specific HR functions, the similarities continue. Only three out of five U.S. employees are extremely or very satisfied with the way even a fairly common function like payroll operates in their organization. Not surprisingly, when we look at satisfaction relative to intent to leave, those who are unlikely to leave are twice as satisfied as those who are likely to leave.

FIGURE 10. Likelihood to Look for a New Job, by Satisfaction With Specific HR Functions/Policies

Satisfaction With Specific HR Functions/Policies	U.S. Employees	Likelihood to Look for a New Job in the Next 12 Months	
		Extremely/Very Likely	Not Very/Not at All Likely
Payroll function	59%	35%	73%
Benefits function	47%	24%	60%
HR function	44%	23%	55%
Social media policies	41%	24%	48%
Mobile policies	41%	25%	48%

Source: ADP Research Institute, Quantifying Great HCM, 2013.

Correlating the likelihood to look for a new job against employees' satisfaction with these HR functions illustrates a clear connection. The study showed that 44 percent of employees are extremely or very satisfied with the HR function in their company. However, those who are unlikely to leave are two and a half times as satisfied (55% vs. 23%) as those who are. Bottom line: *The talent leaving their companies will not just be looking for new opportunities. They are clearly dissatisfied with aspects of their original company.*

Those who are **UNLIKELY** to leave are twice as satisfied as those who are not.

# HR and the Workforce

“HR is the corporate function with the greatest potential – the key driver, in theory, of business performance – and also the one that most consistently underdelivers.”<sup>3</sup>

A strong connection between HR and the workforce is merely the most obvious of indicators that a company’s largest asset is aligned with its business strategy. It helps to demonstrate the effectiveness of talent management efforts. Furthermore, a strong connection helps to keep those employees who are performing well. In addition, maintaining that connection gives HR the means to anticipate challenges and seize opportunities.

Currently, however, the disconnect between HR and employees in many companies, of all sizes surveyed, remains high. Consistently across the globe, employers have a significantly more positive impression of how they manage their workforce versus what their employees experience in the workplace. Concerning this and many other measures of managing human capital, there are signs that, as a whole, HR does not have a handle on the asset it is hired to manage.

Will this situation improve or grow worse? The ADP Research Institute® will use its extensive access to information and organizations of all types to continue to monitor the situation. Look for the companion document to this paper – “360. HR’s Employee/Employer Contract.”



<sup>3</sup> Hammonds, Keith H. “Why We Hate HR.” Fast Company, August 2005. Accessed 11 November 2013 via <http://www.fastcompany.com/53319/why-we-hate-hr>

# Conclusion



The disconnect between HR and employees appears as great as ever. This exists in spite of advancements created to vastly facilitate communications and access to information, not to mention improving the focus on the organizations' core businesses.

Huge differences between HR perceptions and employee perceptions on key human capital management issues mean work remains to be done – and that companies are operating without fully engaged workforces.

Efficiencies are good. They save money and resources. They can be the foundation for better strategic insight and focus. Efficiencies alone, however, are not effective human capital management.

# Research Methodology

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The ADP Research Institute® conducted three online global studies in 2013: one among employees, one among HR decision makers and one among senior leadership (excluding HR) to help gain a better understanding globally of the similarities and differences of employees' and employers' attitudes and opinions about the companies they work for, the Human Resource function, and challenges that HR and employees face today.

The *Employee Perspectives on HCM Study* was conducted in February 2013 in the United States, Canada, Mexico, Brazil, the United Kingdom,, France, Germany, Australia, China, and India. The study universe of 5,659 was comprised of representative samples of males and females, ages 18-69, either self-employed or employed, full-time or part-time (at least 15 hours).

The *Quantifying Great HCM Study* was conducted in February and March 2013 in the following countries/regions: the United States; Canada; Latin America – Argentina, Brazil, Chile, Mexico; Europe – the United Kingdom, France, Germany, Italy, and Spain; Asia-Pac – Australia, China, Japan, India, and Singapore. The study universe includes more than 1,200 HR policy and/or product decision makers across enterprises with 1-49, 50-999, and 1,000 or more employees.

The *HR 360 Study* was conducted in October 2013 in the following countries/regions: the United States; Canada; Latin America – Argentina, Brazil, Chile, Mexico; Europe – the United Kingdom, France, Germany, Italy, and Spain; Asia-Pac – Australia, China, Japan, India, and Singapore. The study universe includes more than 1,300 CEO, C-Suite and Senior Management across enterprises with 1-49, 50-999, and 1,000 or more employees.

## About the ADP Research Institute®

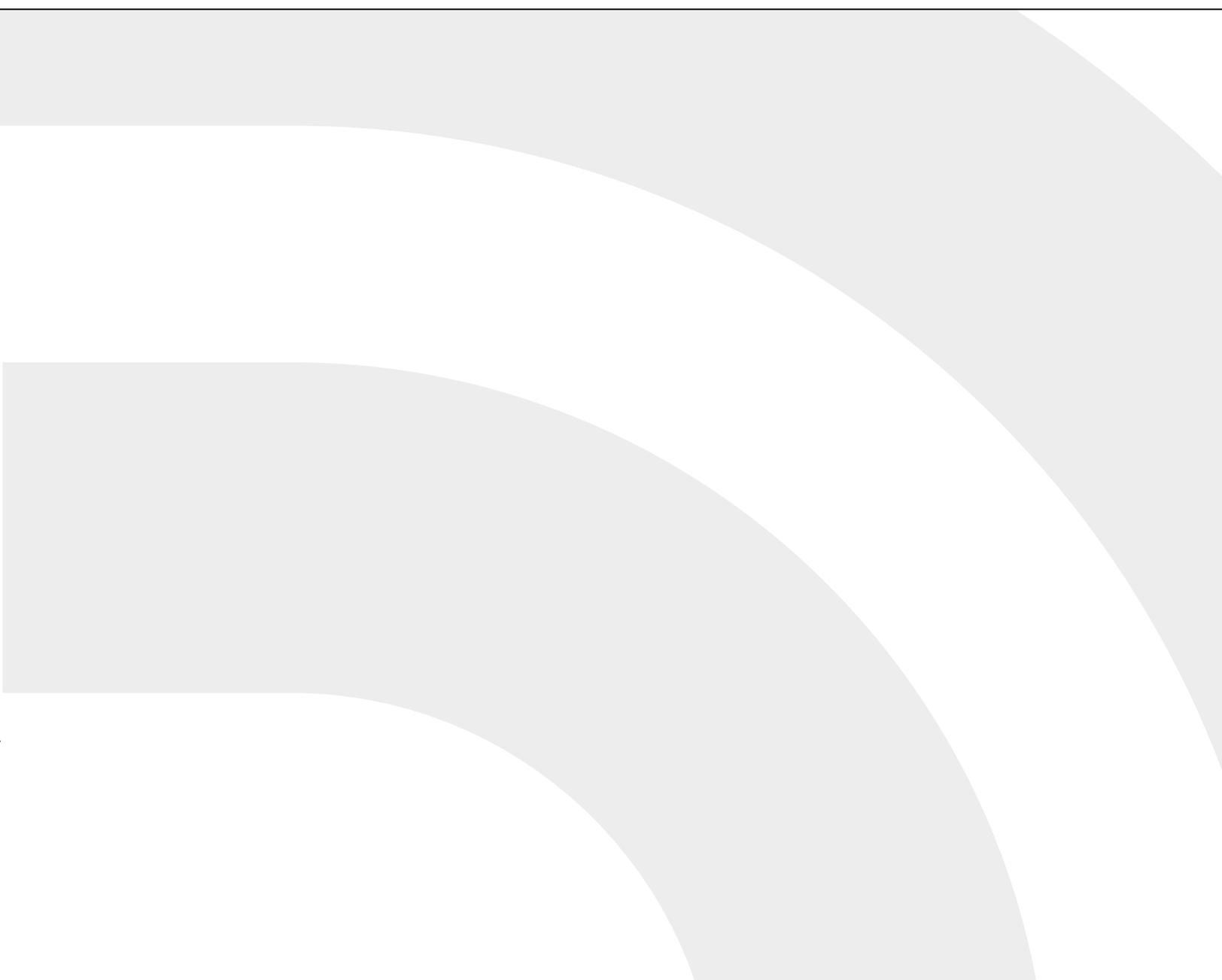
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The ADP Research Institute provides insights to leaders in both the private and public sectors regarding issues in human capital management, employment trends, and workforce strategy.

## About ADP®

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With more than \$12 billion in revenues and 65 years of experience, ADP® (NASDAQ: ADP) serves approximately 637,000 clients in more than 125 countries. As one of the world's largest providers of business outsourcing and Human Capital Management solutions, ADP offers a wide range of human resource, payroll, talent management, tax and benefits administration solutions from a single source, and helps clients comply with regulatory and legislative changes, such as the Affordable Care Act (ACA). ADP's easy-to-use solutions for employers provide superior value to companies of all types and sizes. ADP is also a leading provider of integrated computing solutions to auto, truck, motorcycle, marine, recreational vehicle, and heavy equipment dealers throughout the world. For more information about ADP, visit the company's Web site at [ADP.com](http://ADP.com).



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