



# Workplace Visions®

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## Employee Engagement: The Newest Research and Trends

### The importance of employee engagement .....

Employee engagement is rightly viewed as a key aspect of productivity. It makes sense that the enthusiasm and interest that fully engaged employees bring to their work each day would be directly tied to both a more unified workplace culture and the extra efforts, better ideas and innovations that make organizations thrive. Many organizations have limited their hiring in recent years due to a slow economic recovery and uncertain economic conditions, making employee engagement even more important as staff try to do more with less. With this in mind, understanding the cultural, management and other factors that influence employee engagement has become a central part of HR's strategic role.

Recent studies of employee engagement show that maintaining high levels of engagement has become fairly challenging. SHRM has added an employee engagement component to its annual employee job satisfaction survey, which has been fielded each year since 2002, and now offers an engagement index as part of its

People InSight® Employee Job Satisfaction and Engagement Survey Service. The most recent SHRM survey finds that although in some areas employees appear to be engaged, there is definitely room for improvement.<sup>1</sup>

### Tracking employee engagement .....

The SHRM *Employee Job Satisfaction and Engagement* research report found that employees appear to be only moderately engaged overall. The report's 5-point scale of all employee engagement items—with 1 equaling "not at all engaged" and 5 representing "highly engaged"—yielded an index of 3.6. Along with the index of employee engagement, the SHRM survey also looks at a number of different aspects of employee engagement. The first of these aspects is made up of the *conditions* that determine employee engagement. The research found a slight decline in the importance of several factors since 2011, when SHRM first began tracking employee engagement as part of the survey. According to the SHRM findings, the

most important condition of engagement continues to be the relationship with co-workers, followed by opportunities to use employees’ skills and abilities at work, relationship with immediate supervisor and the work itself (see Table 1).

The second set of aspects tracked in the SHRM study is made up of *employee engagement opinions and behaviors*:

- 79% of employees said they are determined to accomplish their work goals and were confident they could meet them.
- 69% of employees said they frequently feel like they were putting all their effort into their work.
- 66% of employees said that while at work, they were almost always completely focused on their work projects (see Table 2).<sup>2</sup>

The importance of employee engagement is clear when looking at the differences in performance between work teams with high and low levels of employee engagement. Gallup’s 2013 report summarizing the findings from its employee engagement program is powerful evidence of the impact of employee engagement on the bottom line. The *State of the American Workplace: Employee Engagement Insights for U.S. Business Leaders* report finds that “engaged workers are the lifeblood of their organizations.” Gallup developed an employee engagement metric it calls Q12. When comparing work units in the top 25% of its Q12 client database with those in the bottom 25%, Gallup researchers found higher rates of productivity, profitability and customer ratings among the most engaged work units, as well as less turnover and absenteeism, and fewer safety incidents.<sup>3</sup>

Surveys of the current state of employee engagement show slightly different findings, but all point to a workforce that is overall less engaged than the business leadership might hope for. Gallup’s findings show an overall low level of employee engagement among

surveyed clients, with only about 30% truly engaged in their work.<sup>4</sup> Meanwhile, management consulting firm Blessing White found in its January 2013 *Employee Engagement Research Update* that employee engagement was holding relatively steady across the globe. In North America, approximately 40% of employees were considered engaged, with an additional 23% considered “almost engaged.” Other parts of the world showed greater challenges with engagement. In China, for example, only 22% of employees were found to be engaged, with 22% categorized as “almost engaged.”<sup>5</sup>

## Looking ahead: Factors that may influence employee engagement .....

### Leadership

The way organizational leaders deal with the issue of employee engagement in the years ahead will no doubt affect employee engagement outcomes. A study cited in the Corporate Executive Board’s 2013 report *The Rise of the Network Leader: Reframing Leadership in the New Work Environment* found that over the previous 12 months leaders’ responsibilities had shifted rapidly, requiring more skills and capabilities in a number of areas:

- 80% had been given more responsibility.
- 76% were asked to achieve more and broader objectives.
- 65% needed to deliver business results faster.
- 50% had a more global role.
- 54% had experienced frequent shifts in job responsibilities.<sup>6</sup>

With leadership growing more challenging than ever, finding time to focus on employee engagement could be increasingly difficult.

Another leadership aspect to the employee engagement issue is that lower levels of employee engagement could influence the development of future leaders. Other 2013

**Table 1: Top Employee Engagement Conditions**

	2011 (n = 600)	2012 (n = 600)	2013 (n = 600)
Relationship with co-workers	76% (1)	79% (1)	73% (1)
Opportunities to use skills/abilities	74% (2)	75% (2)	70% (2)
Relationship with immediate supervisor	73% (3)	71% (4)	70% (2)
The work itself	76% (1)	70% (5)	68% (3)
Contribution of work to organization's business goals	71% (4)	72% (3)	66% (4)
Variety of work	68%	69%	65% (5)
Organization's financial stability	63%	63%	65% (5)

**Note:** Table represents those who answered “somewhat satisfied” or “very satisfied.” Percentages are based on a scale where 1 = “very dissatisfied” and 5 = “very satisfied.” “Not applicable” responses were excluded from this analysis.

**Source:** *Employee Job Satisfaction and Engagement* (SHRM, 2014)

**Table 2: Top Employee Engagement Opinions and Behaviors**

	2011 (n = 600)	2012 (n = 600)	2013 (n = 600)
I am determined to accomplish my work goals and confident I can meet them	83% (1)	83% (1)	79% (1)
I frequently feel that I'm putting all my effort into my work	70% (2)	77% (2)	69% (2)
While at work I'm almost always completely focused on my work projects	70% (3)	66% (4)	66% (3)
I am highly motivated by my work goals	68% (4)	67% (3)	63% (4)
I have passion and excitement about my work	66%	61% (5)	62% (5)

**Note:** Table represents those who answered "agree" or "strongly agree." Percentages are based on a scale where 1 = "strongly disagree" and 5 = "strongly agree."

**Source:** *Employee Job Satisfaction and Engagement* (SHRM, 2014)

Corporate Executive Board data on leadership development found that while 65%-70% of high-potential employees are expected by their organizations to graduate from the leadership development programs they have enrolled them in, the actual number is lower—closer to 40%. One of the main reasons was that the added responsibilities and stress were seen as not worth the benefits of promotion—a sign of low engagement in and of itself.<sup>7</sup>

### Culture

As organizational leaders more widely begin to view employee engagement as a key element of business success, they may focus more closely on organizational culture. A 2009 Hewitt study of 900 companies in eight markets found that at the height of the Great Recession, culture was critical to maintaining employee engagement and that culture and engagement worked together to improve the financial performance of the organization. The concept of shared values was found to be crucial to both.<sup>8</sup> Companies that have “cracked the code” on employee engagement

have been studied and written about widely in popular business media. Organizations will continue to experiment with different ways to create an organizational culture that encourages and sustains employee engagement.

### Demographics

As the largest generation in the U.S., the Millennials have been under the microscope for the past few years as business gurus and organizational leaders try to discover the best way to recruit, retain, motivate and, yes, engage them. Now that the Baby Boomers—considered by many to be the most highly engaged demographic cohort of today’s workers—are beginning to retire, the stage is being ceded to the Millennials and the smaller Generation X demographic cohort. This shift will draw even more attention to the drivers of employee engagement for Millennials. What makes these workers tick and what, if any, HR interventions have an impact on their employee engagement levels will be a question more organizations ask as they say good-bye to their Baby Boomer employees and the Millennials begin to dominate the workforce.

**Table 3: Top Aspects of Job Satisfaction Rated as “Very Important” by Employees: 2002-2013**

	2002 (n = 604)	2004 (n = 604)	2005 (n = 601)	2006 (n = 605)	2007 (n = 604)	2008 (n = 601)	2009 (n = 601)	2010 (n = 600)	2011 (n = 600)	2012 (n = 600)	2013 (n = 600)
Compensation/pay	59% (4)	63% (2)	61% (2)	67% (1)	59% (1)	53% (3)	57% (3)	53% (5)	54% (4)	60% (3)	60% (1)
Job security	65% (1)	60% (4)	59% (4)	59% (3)	53% (2)	59% (1)	63% (1)	63% (1)	63% (1)	61% (2)	59% (2)
Opportunities to use skills/abilities	—	47%	44%	51% (5)	44%	50% (4)	55% (4)	56% (3)	62% (2)	63% (1)	59% (2)
Relationship with immediate supervisor	49%	49%	46%	47%	48%	47% (5)	52%	48%	55% (3)	54% (5)	54% (3)
Benefits	64% (2)	68% (1)	63% (1)	65% (2)	59% (1)	57% (2)	60% (2)	60% (2)	53% (5)	53%	53% (4)
Organization’s financial stability	—	—	—	—	—	—	—	54% (4)	55% (3)	52%	53% (4)
The work itself	50%	46%	35%	46%	41%	47% (5)	50%	54% (4)	53% (5)	52%	51% (5)

**Note:** A dash (—) indicates that this question was not asked that year. Table represents those who answered “very important.” Percentages are based on a scale where 1 = “very unimportant” and 4 = “very important.”

**Source:** *Employee Job Satisfaction and Engagement* (SHRM, 2014)



**Stress**

The 2013 Staying@Work Survey, conducted by Towers Watson and the National Business Group on Health, surveyed almost 900 employers in North America, Latin America, Europe and Asia and found that nearly eight out of 10 (78%) companies identify stress as a top workforce health risk issue—higher than employee obesity rates, smoking and poor nutrition. These data show stress as a key threat to employee engagement. However, the survey found that employers and employees actually have vastly different opinions on the causes of workplace stress. While employers believe that a lack of work/life balance (excessive workloads or long hours) is the top cause of employee stress, employees actually cite inadequate staffing (lack of support, uneven workload or performance in group) as their top source of stress.<sup>9</sup>

The Staying@Work Survey also found another source of employees’ stress that barely registered with employers: low pay or low increases in pay.<sup>10</sup> Other data support the idea that financial issues are an increasing area of stress for many employees. According to a May 2014 SHRM survey on financial wellness in the workplace, sponsored by McGraw Hill Federal Credit Union, 38% of HR professionals reported that their employees have more personal financial challenges now compared with the early part of the Recession in late 2007, and 23% of HR professionals said their employees are experiencing more personal financial challenges now compared with just 12 months ago.

Furthermore, 41% of HR professionals reported that an overall lack of monetary funds to cover personal expenses affected employees at their organization. In addition, seven out of 10 HR professionals said that personal financial challenges have a “large” or “some” impact on overall employee performance. Of these respondents, approximately one-half reported that employees’ stress (50%) and their ability to focus on work (47%) were the aspects of employee performance that were most negatively affected by personal financial challenges.

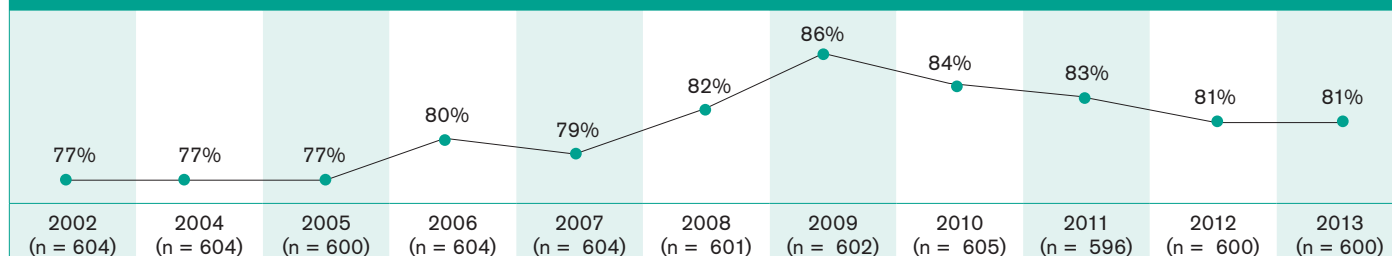
Unfortunately, a number of trends indicate that financial stress could continue for many employees or even grow more severe. Along with stagnant wages, an aging workforce raises the risk of financial difficulties due to illness: 42% of HR professionals said that medical expenses are the most common personal financial challenge affecting employees. As of December 2013/January 2014, this number increased seven percentage points compared with 2011.<sup>11</sup>

But although these trends and the apparent disconnect between employers and employees in terms of the sources of employee stress are somewhat troubling, the good news is that more employers are making the link between stress, employee health and productivity—and are taking action. A vast majority (94%) of employers in the Staying@Work Survey said they plan to have a health and productivity strategy in place within the next three years. Moving forward, HR professionals will need to be at the center of these strategic efforts in their organizations.<sup>12</sup>

**Job satisfaction**

After years of stagnant wages and rising living costs, it is perhaps not surprising that employees consider their barely budgeting compensation packages as a key source of stress. SHRM’s *Employee Job Satisfaction and Engagement* survey report published in 2014 found that compensation/pay has now moved to the top of the list of employee job satisfaction factors, ahead of job security, which dominated the list in previous years (see Table 3). Aspects of job satisfaction are obviously related to employee engagement, and if overall employee job satisfaction declines in the years ahead, we are likely to see a corresponding decline in employee engagement. Unfortunately, the trend over the past few years has been a moderate decline in employee job satisfaction from its high point of 86%, settling into the low 80s over the past few years (as shown in Figure 1).<sup>13</sup>

**Figure 1 Employee Job Satisfaction 2002-2013**



**Note:** Figure represents those who answered “somewhat satisfied” or “very satisfied.” Percentages are based on a scale where 1 = “very dissatisfied” and 5 = “very satisfied.” “Neutral/Neither satisfied nor dissatisfied” responses were excluded from this analysis.

**Source:** *Employee Job Satisfaction and Engagement* (SHRM, 2014)

## Other external factors

Other external factors could influence employee engagement. Social trends such as increased caregiving responsibilities could, for example, add to employee stress and thus affect engagement. The Families and Work Institute’s *2014 National Study of Employers* found that although there have been gains in the percentage of employers giving employees flexibility over where and when they work, there has been an actual decline in flexibility related to the number of hours worked. The study also found that the lengths of leave for new fathers, adoptive parents and employees caring for seriously ill family members have declined, as has disability pay. These changes could all exacerbate employee stress levels and thus affect engagement.<sup>14</sup>

The continuing development of information and communications technologies is another potential external factor that could influence employee engagement. On the one hand, more interactive and stimulating technologies may become available to help employees complete tasks, develop their skills and competencies, as well as both track their progress and learn more about the best ways to improve performance. But on the other hand, the ubiquity of social media, online games and other distractions could be a strong competing force for employees’ interest and attention. Stress resulting from being constantly connected to the workplace via communications technologies could be another factor.

Whatever direction these and other trends are heading toward, one thing seems clear: employee engagement is still central to business performance and will continue to be a critical component of organizational success. HR professionals will need to stay closely in tune with how engaged their workforce is by tracking engagement levels and working with their organizational leaders to build strategies for increasing employee engagement now and in the years ahead.

## Resources

SHRM Surveys  
[www.shrm.org/surveys](http://www.shrm.org/surveys)

SHRM PeopleInsight® Employee Satisfaction and Engagement service  
[www.shrm.org/PeopleInSight](http://www.shrm.org/PeopleInSight)

## Endnotes

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