Employee Work Engagement: Best Practices for Employers

The Issue and Why It Is Important to Business

Employers recognize that business success depends on the human capital that drives and supports company objectives. But what happens when the individuals who comprise the human capital – employees – aren’t meaningfully engaged in their work? Research studies in the last decade show that only about one in every five workers is highly engaged. These findings mean that upwards of 80 percent of workers are not bringing their best effort to the job. For example, a 2005 Conference Board survey of employees found that two-thirds of workers do not identify with or feel motivated to drive their employer’s business goals; 40 percent of workers feel disconnected from their employers; and another 25 percent of employees are just “showing up to collect a paycheck.” The Gallup organization estimates that disengaged employees cost U.S. employers a significant amount of money – between $250 and $350 billion a year. The implications of these human capital management problems are not lost on corporate leadership. Indeed, according to a survey conducted a decade ago of over 600 CEOs from countries around the world, engaging employees is one of the top five most important challenges facing management.

The concept of employee work engagement describes the extent to which workers are involved with, committed to, and passionate about their work. The following brief report provides a research-based review of contemporary issues on how to measure and promote employee engagement, why it matters to employers, action steps employers can take to optimize employee engagement, the role that mental health may play, and corporate case studies on promoting engagement.

I. Research Literature Review

Many businesses are concerned about increasing employee engagement during this time of financial uncertainty. One might think that the economic downturn and the job insecurity it brings would translate into increased employee job focus and engagement. But research tells another story. Recent business trends and economic market

Summary Points from Research Review

- Only one in every five workers is highly engaged in their work.
- Increased employee engagement in work results in better employee productivity and loyalty.
- Companies with high employee engagement outperform low engagement companies in many areas of business success.
- Engagement can be improved by using more positive supervisory communication styles, offering workplace mental health services to employees, and by larger organizational-level changes.
- The experiences of AAA of Northern California, Nevada and Utah, Molson Coors, and Pitney Bowes provide relevant employer case examples.
forces have contributed to lower levels of employee job satisfaction and diminished employee work engagement. Consultant Judith Bardwick introduced the metaphor of a “psychological recession” to explain how these experiences shape worker attitudes. She suggests the pessimistic view some workers have is a result of their having experienced or witnessed many years of eroding corporate loyalties, company downsizing, job losses due to globalization, and fears of job instability.

When employees are concerned about the possibility of being laid off from their jobs, there may be an initial tendency to respond by working harder and longer to show value to their employer in hopes of not being the next to be let go. If this kind of extraordinary work effort continues for too long, however, it can have unintended negative consequences, such as work performance quality deficits, job burnout, and a range of health problems. Overwork can also contribute to mental health problems such as increased stress, anxiety and depression.

Some employees with very low levels of engagement, who may be defined as having active disengagement, may even try to create unhappiness at work for others and thus can undermine what their more highly engaged coworkers are trying to accomplish. Clearly, developing and encouraging employee engagement, while important at any time, is especially needed in poor economic periods.

**Defining Work Engagement**

In 1990, William Kahn, a researcher and professor at the Boston University School of Management, defined the concept of work engagement as “the harnessing of organizational members’ selves to their work roles.” The concept was later expanded to describe when employees feel positive emotions toward their work, find their work to be personally meaningful, consider their workload to be manageable, and have hope about the future of their work. Other research conducted to create measurement tools for engagement has refined its definition to support a three dimensional concept of engagement. In these studies, work engagement is defined as “a positive, fulfilling work-related state of mind” that is characterized by the following three aspects:
- Physical Component, or vigor (e.g., “At my work, I am bursting with energy”);
- Emotional Component, or dedication (e.g., “I am enthusiastic about my job”); and
- Cognitive Component, or absorption (e.g., “I am immersed in my work”).

Measuring Work Engagement

Most efforts to measure work engagement have been through self-report surveys of individual workers. The person-level scores are usually then aggregated to measure engagement at the organizational and/or workgroup level. Many companies now conduct employee opinion surveys to determine engagement, and some organizations have had high response rates even when not using an anonymous response methodology. The results of 30 years of doing this kind of polling by the Gallup organization have generated several best-selling management books and the twelve-item Worker Engagement Index.13,14,15 Sample items from this index include: “Is there someone at work who encourages your development?”; “In the last seven days, have you received recognition or praise for doing good work?”; and “Do you have a best friend at work?”. In addition to Gallup, many consulting companies have developed a robust business selling their own proprietary survey tools and processes for measuring work engagement, including BlessingWhite, Hewitt Associates, Sirota, Towers Perrin, Valtera, and Watson Wyatt Worldwide among others.

A group of academic researchers developed the Utrecht Work Engagement Scale (UWES). This nine item measurement tool is based on over two-dozen studies with data from over 14,000 employees in ten different countries (but not from the United States).12 In contrast to the measures from the consulting companies, the UWES is in the public domain and can be used without charge, provided that the organizations agree not to charge a fee for its use and agree to share with the researchers the raw data collected from responses to the scale to add to their database for further research. Interested employers are directed the primary author’s website for the specific scale items and a user test manual with instructions and scoring norms (www.schaufeli.com/downloads). The UWES also has versions available in 20 languages.

Prevalence of Work Engagement

How many workers are engaged in their work? Research studies on the distribution of engagement levels across all employees at different organizations define three basic groups of employees in terms of engagement.2,13,14,15,16,17,18,19 The first group includes the approximately 20 percent of employees who can be categorized as highly engaged. The members of this group tend to work with passion, feel a profound connection to their company, and their efforts drive innovation and move the organization forward. At the other end of the spectrum are the roughly 25 percent of employees who are at the lowest end of the engagement and are actively disengaged. The remaining group, comprised of about 55 percent of employees, is in the middle of the distribution and has a moderate level of work engagement. They do their jobs, but without much personal investment. Note that the percentage figures for how many employees are in each of the three groups can vary by five percent or ten percent depending on the particular research study examined.

Individual Differences in Engagement

Are there certain personal characteristics of employees that are associated with their level of work engagement? There is not yet a clear answer to this question. However, a few studies do offer some preliminary findings on individual differences in work engagement. For demographic factors, engagement tends to be slightly higher among older workers and slightly higher for men, but these differences are small.12 One study examined the associations between work engagement and employee self-reports of perceived health, psychological well-being, and social relationships.9 Not surprisingly, it found higher engagement among employees who defined themselves as having better psychological well-being, better physical health and stronger social relationships. Lower engagement is more common among employees who report working too much and too many hours (i.e., workaholism) and also is more common among those who report they experience psychological hopelessness and despair concerning their work (i.e., job burnout).9,12 A study of over 10,000 employees in the U.K. found that greater engagement was associated with higher job grade (managers and executives), professional
training (highly educated and highly skilled workers), low job tenure (shorter length of service at the same organization); and absence of traumatic experiences at work (i.e., not having had an accident, injury, or harassment on the job).20

International Differences in Engagement

As more companies have a global workforce, it is of general interest to explore possible differences in engagement between countries. Many of the early studies of employee engagement conducted by consulting companies were done in the United States. Studies using the UWES measure have been done in different countries and the results have found some differences between the primarily European countries, with engagement being highest among employees from Finland and France and lowest in Canada.12 In 2005, Towers Perrin published the findings from a survey of 85,000 employees from around the world.17 The detailed findings revealed a wide range in engagement levels between countries: Mexico (40%) and Brazil (31%) had the highest percentage of their workforce who were highly engaged, followed by the United States (21%) and Canada (17%), with Europe (11%) and Asia (7%) having the lowest levels of employee engagement. A 2007 Towers Perrin study with data from over 88,000 employees in 18 countries also found wide variability in engagement levels between countries.19 These studies indicate that there are some differences in work engagement between countries and cultures that merit further analysis and exploration. However, due to the differences in occupational groups in the different samples and many other factors involved, the interpretation of differences between countries in engagement scores is difficult.

II. Answers from Research

The research on engagement suggests several themes are relevant to understanding the issue of engagement. Some studies examine how engagement affects the attitudes and work behaviors of employees that are indirect factors in business success. Other studies examine the cumulative effects of engagement levels among workgroups and companies, and how such engagement is linked to overall business success and corporate financial performance.

How Work Engagement Affects Business

Not only is work engagement personally valued and motivating for workers, it also is important for driving positive business processes and outcomes. Comparing highly engaged employees with less engaged workers provides some insights into how engagement can affect business outcomes. Key findings from one of these comparison studies show that employee engagement is associated with higher product quality, better customer service, better cost control, and greater employee loyalty:17

- **Quality**: 84 percent of highly engaged employees believe they can positively impact the quality of their company's products, compared with 31 percent of the disengaged.
- **Customer Service**: 72 percent of highly engaged employees believe they can positively affect customer service, versus 27 percent of the disengaged.
- **Cost Control**: 68 percent of highly engaged employees believe they can have a positive impact on costs in their job or unit, versus 19 percent of the disengaged.
- **Loyalty**: 59 percent of highly engaged employees plan to stay with the current employer, versus 24 percent of the disengaged.

Engaged Employees Are Good for Business

Other studies explore the effect that improving employee engagement has on overall business success. Many employer case studies suggest the possibility of creating cost savings to the business by encouraging greater employee engagement.2 For example, electronics retailer Best Buy measured engagement levels in many of its employees and compared the average scores of employees at different stores on several company success metrics, such as sales revenue. Best Buy found that stores with even small increases in average employee engagement scores from one year to the next experienced annual sales increases of over $100,000 per store. Thus, improvements in level of engagement were associated with improvements in company sales. JCPenney discovered that in their stores where employees rated in the top quartile of average
engagement scores (highest level) generated about ten percent higher sales volume than similar-sized stores where employees were in the bottom quartile of engagement (lowest level).

**Linkage Studies**

Other researchers have measured employee engagement at the organizational level and connected it to business outcomes. When investigators collect data at the business unit or company level, these efforts are called “linkage studies.” The best examples of original research in this area are the studies by Gallup and Towers Perrin. The Gallup organization has provided perhaps the most convincing evidence of the link between engagement and company financial profits based on the number of studies conducted, the large sample sizes in the studies, and advanced methodologies that enabled them to use data from company records and archival databases. A meta-analysis of dozens of different Gallup studies compared results from business units within large companies and also compared companies with other companies. The findings showed that having a work environment that promoted positive employee engagement was consistently associated with beneficial business outcomes, including reduced employee turnover, greater customer satisfaction, employee productivity, and company profits.

Towers Perrin used its large database of worldwide clients to explore the link between company-level engagement and business success at mid- to large-size companies. In one study of 50 global organizations, the findings showed that high engagement companies (those with the highest average employee engagement scores), had higher 12-month change in net income (14% vs. -4%, respectively) and higher 12-month growth in earnings per share of company stock (28% vs. -11%) than low-engagement companies (those with the lowest average employee engagement scores). Another study of 40 global organizations showed that high engagement companies had a higher net profit margin (2.1% vs. -1.4%, respectively) than low-engagement companies.

**Communication is Key to Engagement**

Many of the studies reviewed indicate that effective communication between management and employees creates greater employee engagement, and that communication is a leading indicator of organizational financial performance. For example, a 2006 survey of British employees found that allowing workers the opportunity to share their views and opinions with management was the single most important driver of engagement and that when management keeps employees informed about what is going on in the organization it builds more employee engagement.

Watson Wyatt Worldwide also conducted a series of in-depth studies to explore the link between the nature of management communication practices at companies, employee engagement, and the future financial performance of the business. A key finding was that companies that communicated effectively with their employees were four times more likely to have high levels of employee engagement than firms that communicated less effectively. Thus, greater employee engagement was associated with better corporate communication practices. In one study, the group of companies with the most effective employee communication programs (based on use of nine kinds of communication practices) had a 91 percent total return to shareholders from 2002 to 2006, compared with only a 62 percent return for the comparison group of firms that had communicated least effectively. Moreover, a significant improvement in communication effectiveness over time (increased use of more of the nine practices) was associated with a 16 percent increase over time in market value of the company.

The results of Mercer’s 2002 People at Work Survey provide some insights into why better communication by management is related to employee engagement and company financial success. The survey queried over 2,500 U.S. workers and found that the effectiveness of senior management in communicating with employees related to levels of employee satisfaction, job commitment, and loyalty to the organization. When senior management communicated a clear vision for the future direction of the organization, fewer employees were dissatisfied with the organization compared to when senior management did not communicate its vision effectively, (7% vs. 39%, respectively); fewer employees said that they did not feel a strong sense of commitment to the organization (6% vs. 32%); and fewer employees said that they were
seriously thinking about leaving the organization (16% vs. 40%). Thus, better communication from company executives was associated with better engagement from employees.

III. Employer Actions Steps

To improve employee engagement, employers can take action at the individual employee level and at the organizational level.

Measuring Employee Engagement

Employers may want to begin with a company-wide assessment process to measure the range of engagement levels in the workforce. This process, when repeated each year, can serve as a baseline that can be used in following years to gauge the effectiveness over time of management practices and interventions designed to encourage engagement. Depending on the size of the budget available, companies can make a commitment to select one of the measurement tools now available and keep using that same tool for several years.

Employer Actions at the Employee Level

Once a company has collected some data and knows the range of engagement levels among its workforce, the next step is to take actions to raise engagement among individual employees. One useful action is to change how managers give work performance feedback to each of the employees that they supervise. Another employer action is to offer and actively promote the use of mental health services to help employees respond to personal and work challenges and in so doing reduce the degree to which personal obstacles interfere with work engagement.

Positive Supervisory Communication. One simple and low-cost management practice at the individual level is to change the way employees are given feedback about their job performance. A study from the U.K. found that employees who had a personal development plan for their work and who received formal performance appraisals for their job had significantly higher engagement levels than those who did not. A Gallup study found dramatic differences between engaged employees and less-engaged employees in how their supervisors communicated with them. In this study, 77 percent of highly engaged employees agreed with the statement: “My supervisor focuses on my strengths or positive characteristics,” compared to only 23 percent of moderately engaged employees and just four percent of disengaged employees. In another study of communication between supervisors and their staff, the Corporate Leadership Council analyzed survey responses from over 19,000 employees and managers. The results of this study found that supervisory emphasis on the strengths of employee task performance enhanced the future work performance of their employees by 36 percent, whereas an emphasis on the weaknesses of task performance reduced future work performance by 27 percent.

Taken together, the results from these studies indicate that focusing on the strengths of employees tends to improve employee performance, whereas focusing on employee weaknesses tends to undermine performance. These studies also support the growing interest among business leaders in the “positive psychology” approach to management that relies on building up the positive qualities of employee work behaviors instead of focusing on the problems. Examples of companies using a positive psychology approach and creating a “strengths-based” organizational culture include BAE Systems, Best Buy, Norwich Union, Toyota, Wells Fargo, and Yahoo!.

In a larger sense, the emphasis on better communication skills among managers is related to the series of findings by researcher Daniel Goleman on how emotional intelligence among managers is critical to better communication.

Offering EAP and Mental Health Benefits. The literature also indicates that mental health issues and distressing work experiences can play a role in limiting employee work performance and engagement. For example, some employees may work too much and too long because they have difficulty in setting limits on their work behavior, some may have irrational thinking patterns that make managing stress and workplace changes even more difficult, and others may suffer from social anxieties that make coworker and supervisory communication difficult. In other examples, anxiety, depression, alcohol abuse and other more serious kinds of mental health disorders can affect the ability of employees to be productive and engaged in their work. These kinds of work and psychological problems can be identified and treated.
through employer-sponsored services, like seeing a counselor from the employee assistance program (EAP) or having a behavioral health consultation with a psychiatrist.30

**Employer Actions at the Organizational Level**

A company can also try to prevent the kinds of problems that lead to disengagement in the first place. Some of the most effective organizational level prevention tools include ensuring a better fit of the employee with the work environment; providing practical on-the-job support, improving general working conditions, and creating a supportive corporate culture.31 Each of these tactics warrants examination.

**Employee-Work Environment Fit.** Employee engagement can be improved through better job design. The specific elements and tasks assigned to certain jobs can be redesigned to better match the strengths of particular employees.32 More broadly, employees can be matched with the kinds of jobs and work colleagues that most closely match their abilities and talents – what is referred to as “person-environment fit.”33, 34 The general idea is to put more effort from the company side into conducting assessments of employee attributes, interests, and job skills and then to use these individual profiles to proactively match work tasks and positions to an individual employee’s strengths and interests. This kind of person-environment fit should increase the level of employee work engagement. Conversely, when this is not done, employees may decide to seek out other jobs within the organization that interest them and take advantage of their skills and talents. Some employees may even leave a company altogether to look for work at other organizations that appear to offer a work culture that is a better fit with their career path and occupational skills. Indeed, providing challenging jobs and interesting work is one of the best ways for a company to create working conditions that lead to high engagement experiences for employees and increases employee loyalty as well.19

**Support and Resources.** Low work productivity and employee disengagement are both associated with low levels of support from supervisors and co-workers. For example, a review of 63 studies on work environments and psychological well-being found consistent research support for the idea that employees have the highest well-being when their work is characterized by a high level of personal control over specific job elements, a low level of pressures and demands on when and how the work is done, and when there is a high level of social support from others at work.35 Similar results were obtained in a meta-analysis study of findings from 73 prior research studies. This review found that low levels of perceived organizational support predicted increased job strain symptoms among employees, such as feeling fatigued, anxious, or having headaches.36 A recent study of school teachers found that work engagement was improved when the institution offered more support and job resources (e.g., supervisor support, positive appreciation, collaborative organizational climate, and innovative problem solving).37 This line of research suggests that providing relevant kinds of job resources can buffer the negative impact of stressful job demands and poor working conditions, thereby increasing employee work engagement.

**Working Conditions.** Organizations should seek to avoid creating overly difficult job demands and stressful working conditions, as these factors are the main predictors of employee exhaustion and burnout.38 Efforts to mitigate these factors can include changing characteristics of job tasks and technical operations, adopting more ergonomic workplace equipment, adding flexibility to work schedules and workload, improving role clarity and the decision-making authority of workers, and fostering positive social relationships at work.

**Corporate Culture and Leadership.** The culture of an organization can affect employee work stress in general and can influence employee engagement in particular. Reviews of the research in this area show that organizational culture is an important component of work stress and may be a key to creating effective organizational stress interventions.39 Results from the Towers Perrin studies indicate that five of the ten most important drivers of employee engagement involve leadership style and organizational factors.19 Organizational culture can be modified to achieve some of the attributes that contribute to employee engagement. Possible changes include senior management having a sincere interest in employee well-being, business actions that create a good reputation in the area of corporate social responsibility, and establishing opportunities for career advancement.
within the organization. Employee work engagement is one of the five criteria (based on a review of research literature) for the annual Healthy Workplace Awards given to employers by the American Psychological Association. The other four criteria of a healthy workplace culture include: Supporting work/life balance, fostering employee growth and development, encouraging health and safety on the job, and providing praise and recognition.

Essentially, employees are more engaged in their work when the organizational culture is psychologically healthy and when management of the company acts in ways that make employees proud to work there. All of the engagement studies in the United States and other countries conclude that it is up to the senior leadership of an organization to set the tone in this area.

Barriers to Engagement

The research also reveals some barriers to employee engagement that present challenges for organizations. Some of the practices to avoid include:

- Inconsistent management styles based on the attitudes of individual managers, which can lead to perceptions of unfairness.
- Reactive decision making by superiors that does not address workplace problems until after it is too late.
- Lack of knowledge-sharing within the company due to rigid communication channels or company culture norms.
- Poor work-life balance for staff due to having to regularly work too many hours within a company culture that supports frequent use of overwork schedules.
- Low perceptions of senior management based on lack of visibility and interaction with employees.

Remaining Questions. Even though considerable research has been conducted on work engagement, there still are many unanswered questions. Some of the most important remaining issues include: How closely is engagement tied to mental health? Is engagement more closely tied to individual or to organizational factors, and can they be separated? How does engagement differ for various kinds of employees, companies, and industries? How readily can engagement be improved and what is the most effective way of doing this? How is work engagement related to employee presenteeism (a term originating from occupational medicine research that describes a reduced level of work performance due to illness or other health conditions)? Hopefully future investigations will provide answers to these and other questions.

IV. Conclusion

This brief has examined the concepts of employee engagement, how it is measured, how prevalent it is, the financial benefits of engagement, and how the workplace can change to move in the direction of greater employee engagement and company success. The level of employee engagement can range from high to low depending on the individual employee. This variability in work engagement is related to key aspects of company performance and is influenced by many aspects of organizational structure and functioning. Although engagement is expressed by individual workers through their work performance, their work behavior is often a reflection of the kind of organizational environment where they are working. Thus, even though promoting greater engagement can be done at the level of the individual employee (through better manager communication and appropriate use of EAP and mental health services), it appears equally important to improve employee engagement through effective leadership and actions at the organizational level. To promote higher levels of employee engagement, companies must make themselves the kinds of organizations with which employees want to engage.

V. Case Study Examples

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AAA Northern California, Nevada & Utah.42 AAA Northern California, Nevada & Utah, the second-largest club in the Automobile Association of America (AAA), conducted company-wide assessments of employee engagement with consulting assistance from Towers Perrin. In 2004 and 2005, more than 4,000 AAA employees per year participated in the survey process. Analyses found that employee engagement scores were positively and strongly correlated with customer service ratings (r = 0.69). The study also linked engagement with company financial and HR metrics, such as having individual development plans in place and opportunities for career advancement. Results indicated that a five percent increase in employee engagement overall was associated with potential financial gains of more than $47 million dollars in selling more insurance and travel products. Engagement was also associated with lower staff turnover. The findings had actionable implications for general HR practices and employee communication efforts. The project resulted in increased management support for internal action plans to encourage more employee engagement with the company.

Molson Coors.43 Molson Coors, a beverage company, found that engaged employees were five times less likely than disengaged employees to have a safety incident and seven times less likely to have a lost-time safety incident. In fact, the average cost of a safety incident for an engaged employee was $63, compared with an average of $392 for a disengaged employee. Consequently, by strengthening employee engagement, Molson Coors saved over $1.7 million dollars in safety costs in 2002. In addition, cost savings were found from their sales performance teams after implementing interventions that improved engagement levels. In 2005, for example, high-engagement sales teams were more successful in business sales than were the less-engaged sales teams, with the difference in sales exceeding $2.1 million dollars.

Pitney Bowes.44 Pitney Bowes, an office machine and services company, has been measuring employee engagement for more than a decade and has now integrated engagement-enhancing practices into the everyday culture of the company. With survey partner Kenexa Technologies, Pitney Bowes collects engagement survey data on an annual basis (with over 80% of its global workforce taking the survey in 16 languages). The company uses the results to create action goals for engagement in annual performance reviews of managers and shares the engagement survey results and employee comments with senior executives and the board of directors. One of the most valuable aspects of the engagement survey for management was the more than 25,000 employee responses to the open-ended question: “What one thing would you change to make Pitney Bowes a better place to work?” Another aspect to fostering a positive work culture is the internal recognition given each year to the Engagement Triple Crown Winners. These are the managers who score in the top quartile among all managers worldwide on each of three measures that the company tracks for encouraging engagement in employees. Finally, the CEO of the company, Murray Martin, also is supportive of the approach and has even featured the goal of increasing workforce engagement as one of the top five priorities for the company in 2009.
VI. Resources

The following is a list of free online resources available from organizations that offer assistance to employers and employees in the area of engagement.


**Center for Applied Positive Psychology.** See the 2006 journal article, Retention on a Knife Edge: The Role of Employee Engagement in Talent Management. [http://www.cappeu.org/strengths_at_work.aspx](http://www.cappeu.org/strengths_at_work.aspx)


**Employee Engagement Network.** Blogs and online network of over 1,000 global professionals interested in employee engagement practices. [http://employeeengagement.ning.com/](http://employeeengagement.ning.com/)

**Gallup Organization.** See the online Gallup Management Journal. [http://gmj.gallup.com/](http://gmj.gallup.com/)


**Partnership for Public Service and American University’s Institute for the Study of Public Policy Implementation.** See the results of engagement surveys of over 220,000 U.S. federal government workers in 2007. [http://www.bestplacetowork.org](http://www.bestplacetowork.org)

VII. References


