

Employee Engagement & Health: An EAP's Role & Perspective

Insights from the Shepell•fgi Research Group



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EXECUTIVE SUMMARY

Employee engagement has quickly become a key human resource focus. Despite this, there is little consensus on what engagement is, what drives it, and what effects it has on employees and organizations. This report offers an introduction to this topic from an Employee Assistance Program (EAP) perspective by defining its key indicators, tallying its cost, and looking at what role EAP may play.

Engagement is a fleeting state. Every employee is engaged in work at some point, but not all of the time. Understanding this, employers should focus their attention on workplace factors that are assumed to drive engagement over time through their empirical relationships with critical employee and organizational outcomes.

While there are many drivers of engagement, there are seven key indicators that have been identified in Shepell·fgi research. These workplace factors show strong and consistent relationships with employee satisfaction, mental health, and retention.

The report also discusses the nature of disengagement and its effects on both employees (e.g., stress, burnout) and organizations (e.g., absence, turnover). In particular, the financial implications and costs of disengagement are identified with respect to stress-related physical and mental illness (e.g., depression, cardiovascular disease, disability).

Finally, we explore the role of EAP in employee engagement. Our research indicates that when EAPs are present in organizations, executives report the following:

- Up to nine percent (9%) lower levels of employee anxiety, dissatisfaction, and turnover;
- Eight percent (8%) higher levels of fair compensation;
- Five percent (5%) higher levels of growth and development opportunities; and
- Four percent (4%) higher levels of meaningful work.

The findings suggest employees who access EAP are better able to make the most of their jobs and remain engaged. The findings may also suggest that employers who create engaging workplaces are also likely to provide EAP to their employees. This is consistent with organizational cultures that focus on employee health and wellness.

Providing both EAPs and opportunities for engagement is viewed as a two-pronged approach to employee health, and the prevention of negative outcomes - one that enables employers to take care of employees within the workplace, and one that empowers employees to take care of themselves at work and at home.

ENGAGEMENT: A PRIMER

What is Engagement?

Employee engagement has recently become a key focus for HR professionals, but there is little consensus on what it is or how it can be measured. Many companies simply re-brand their employee satisfaction surveys as engagement surveys. For a

clearer definition, Shepell·fgi looks to psychological theory and research.

Engagement is a state of intense, concentrated attention and effort in the service of a task or problem that is highly-valued by the individual.

When engagement is present, many of the employee's valued skills and talents are used on the task. Positive emotions and commitment run high. Psychologists such as Abraham Maslow referred to it as a peak experience. Mihaly Csikszentmihalyi refers to it as flow or vital engagement. Others frame engagement as a part of positive affect - a sense of interest that prompts people to approach rather than avoid things.

How is Engagement Measured?

Engagement is a fleeting state. Work cannot be perpetually engaging, and employees cannot be continuously engaged. A single job entails many tasks that vary in their ability to engage. Thus, trying to measure engagement by rebranding an employee survey is difficult, if not fruitless. Engagement reveals itself in the moment, and that moment may not coincide with the survey.

The best approach to measuring engagement is therefore indirect. To assess engagement, employers must **measure workplace factors that are empirically linked to critical employee and employer outcomes**. On the employee side, these outcomes include overall job satisfaction, plus organizational commitment, absenteeism, and turnover. On the employer side, these include customer satisfaction, unit and organizational performance, and profit. Engagement factors are essentially the workplace factors that drive these outcomes.

Engaging work is also often referred to as 'healthy' work. **The same workplace factors that drive engagement also drive employee health** - another outcome associated with organizational health and performance.

DRIVERS OF ENGAGEMENT & HEALTH

Hundreds of studies indicate that **job autonomy, clear feedback, full use of skills, and pro-social work** are drivers of employee satisfaction and motivation. **Reasonable workload, role clarity, and lack of role conflicts** have also been identified as consistent drivers of satisfaction, motivation, performance, low absence, and retention.

We also know what workplace factors lead to stress-related illnesses. **Role overload, role ambiguity, and role conflict** are classic job stressors. Other research points to **low organizational support** and **job pressure** as two 'super' dimensions of job stress. As much as one-third of Canadians cite the latter factor as the most common source of workplace stress. When job stress is left unaddressed, it can lead to burnout, which is sometimes defined as 'tedium' or a 'lack of engagement'. If stress and burnout are not addressed, depression may result.

If these job stressors are combined, the result can be more serious health problems. A classic example is the *Demand-Control-Support (DCS)* model of occupational stress. When jobs have high demand, low control, and low support, the results are often lower immune efficiency, sleep disturbances, substance use, and cardiovascular problems. Additionally, the *Effort-Reward Imbalance (ERI)* model, focusing on high efforts and few rewards, has been implicated with adverse physical and mental health effects. When all of these negative features are present, research suggests that cancer and more serious mental health problems may result.

The Super 7 Drivers of Engagement & Health

With so many suspected drivers of engagement and health, what are the key indicators in the workplace? Shepell·fgi and Canadian HR Reporter set out to answer this question in a joint study entitled, *How Much & How Important?: An Executive View of Employee Engagement Factors*. The study identified the '**Super 7**' strongest drivers of employee satisfaction, mental health, and retention (see below).

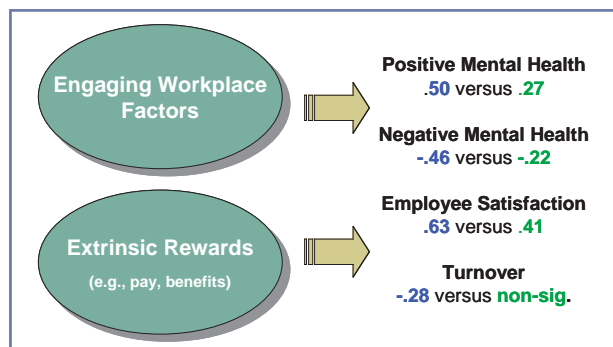
The Super 7 Drivers

1. Trust in senior management
2. Asked for input on important matters
3. Clear understanding of vision and strategy
4. Trust in supervisors
5. Recognition and praise for good work
6. Clear say in decisions affecting their work
7. Caring and considerate supervisors

Given their importance, you would think that the Super 7 would be abundant in Canadian workplaces. Unfortunately, well under half of executives reported that these features were present in their workplaces at appropriate levels. This suggests a serious engagement deficit in Canadian workplaces.

The study also showed that engaging workplace factors have almost **twice** the impact of pay and benefits on key outcomes (see Figure 1). Thus, when 'soft' psychological rewards are present in the workplace, paying people more does little to move the meter any further.

Figure 1. Correlations Between Engaging Workplace Factors and Key Outcomes



Mental health, satisfaction and turnover are more strongly correlated with engaging workplace factors than extrinsic rewards (e.g. pay).

THE COST OF DISENGAGEMENT

Disengagement significantly erodes employers' bottom lines:

- The annual cost of disengaged employees for a 1,000-employee company is \$1.8 million.
- Disengagement associated with withheld effort, lateness, absence, and turnover accounts for a loss of 17% of before-tax annual income in mid-sized companies.
- Engaging work systems generate \$3,800 more profit per employee and produce \$200 million additional revenue per year than other work systems.
- A study of 8,000 business units identified engagement factors leading to higher employee retention, customer satisfaction, productivity, and profit.

- The *100 Best Companies to Work For in America* have significantly higher operating performance, return on assets, and cumulative stock returns.
- Low satisfaction and engagement cost the Canadian economy more than \$27.7 billion per year.

The financial costs of disengagement escalate further when stress and mental health problems emerge:

- Job stress costs the Canadian economy \$12 billion per year in lost work time.
- Nearly 4% of employed people had a depressive episode in the previous year. They also had at least one mental health disability day in the past two weeks, reduced work activity, and more disability days two years later.
- Depression is associated with a tenfold increase in absence days.
- Depression accounts for more absences than back pain, cardiovascular disease, hypertension, diabetes, and other mental conditions.
- Emotional problems account for the largest number of lost work days in the United States and Britain.
- In a study of 150,000 employees, depression was the most frequent diagnosis in health claims paid for by employers.
- Depression costs the Canadian economy \$16 billion per year in lost productivity and opportunity costs.
- The cost for mental illness represents nearly 14% of corporate net annual profit in Canada.

Depression is an engagement killer. The very nature of depression involves a lack of positive affect, which is critical for broadening thought and action, perseverance, and solving problems. Employers can expect lower performance when employees are depressed. While most employers wish to reduce costs associated with currently depressed workers, some of them may not feel obligated to prevent employee depression. Employers are likely aware that depression is brought on by a variety of life events, including those occurring outside of the workplace. While this is true, it is critical to note that the **workplace is implicated in one-third to half of all causes of depression**. Another study indicates that disengaging workplace factors have more impact on physical and mental health than demographic variables, including body mass index, medical condition, or even health-

related behaviours (e.g., exercise, smoking, alcohol consumption). Thus, employers must share not only a role and responsibility for employee depression, they must seek ways to prevent it before it happens.

THE ROLE FOR EAP IN ENGAGEMENT

What can employee assistance providers do to keep employees engaged? Shepell-fgi explored this in the study *How Much & How Important?: An Executive View of Employee Engagement Factors*.

We asked over 300 Canadian executives to estimate levels of engaging workplace factors, employee well-being, satisfaction, and turnover in their organizations. We also asked them if their organizations had an EAP.

When an EAP was present, executives reported the following:

- Up to nine percent (9%) lower levels of employee anxiety, dissatisfaction, and turnover;
- Eight percent (8%) higher levels of fair compensation;
- Five percent (5%) higher levels of growth and development opportunities;
- Four percent (4%) higher levels of meaningful work.

All of the results were statistically significant¹.

The findings suggest that employers that create engaging workplaces are also likely to provide EAP to their employees. This is consistent with organizational cultures that focus on employee health and wellness.

Additionally, it may be that employees using EAP are better able to make the most of their jobs and remain engaged. For example, when family problems are successfully addressed through EAP, employees may have lower stress and higher positive affect. When these positive states are 'brought' to the workplace, employees tend to be more highly-involved, perform better, and are more satisfied with their jobs. When employees are relatively stress-free, they are able to apply their skills and talents to the fullest.

The Cost Savings of EAP Through Retention

According to the results, above, organizations with EAP can expect as much as 9% less turnover compared to organizations without EAP. Of course, cause and effect cannot be established. Organizations with and without EAP may differ in a number of ways that impact turnover. However, the present study suggests that EAP may be part of an effective integrated health solution.

For whatever reason EAP-based organizations enjoy less turnover, the 9% difference should not be taken lightly. Small differences can translate to large return on investment for an organization.

The cost of turnover in organizations has been pegged by some sources as nearly 200% of annual salary at the senior level. While figures are lacking for senior level staff, Statistics Canada estimates the average annual income for Canadian managers as \$56,752. If a non-EAP organization has 500 employees, of which 50 (i.e., 10%) are managers, losing an additional 9% of them equals 4.5 managers per year. Thus, mid-sized, non-EAP organizations stand to lose as much as \$567,520 more per year than organizations with EAP through senior level turnover. These figures account for only senior level turnover.² There is an additional cost associated with non-management turnover.

EAPs: Part of an Integrated Health Solution

The findings, above, suggest that EAP may be part of an integrated employee health solution. When employers conduct **engagement surveys** and apply the findings to organizational development, they are taking care of employees as well as retaining them by providing opportunities for engagement. Additionally, since disengagement leads to costly physical and mental health problems, **engagement is a factor in prevention**. When employers also provide **EAPs**, they further enable employees to take care of themselves, inside and outside of the workplace. Employees cannot thrive in a workplace, no matter how engaging it is, if they already suffer from physical, social, and mental health problems.

1. A technical summary of these findings is available upon request.

2. Although the average annual rate of turnover for senior staff in non-EAP organizations may be lower than 9% (a figure associated with all levels and occupations), the average annual income for senior level staff may be much higher than the Statistics Canada figure of \$56,752 associated with managers. Thus, the estimate of \$567,520 for turnover-related losses may still be conservative.

RECOMMENDATIONS

Conduct engagement surveys to inform job & organizational re-design.

Employers can prevent employee health problems by providing and ensuring their workplace is healthy. Research suggests that personal control is one of the most critical factors in employee mental health. When employees are in jobs with low control, they lack the necessary environmental resources to cope with job stressors. Increasing personal control can be achieved by enabling greater decision latitude and input, utilizing a wider range of each employee's skills and talents, increasing delegation, and increasing employee ownership of projects and initiatives. Employees also perceive themselves as being more in control when they are given clear expectations for performance, receive regular and clear feedback, and when information is freely shared across the organization.

Build awareness for employee assistance programs.

It is well-known that the vast majority of people with mental health problems do not seek professional help. It is estimated that only 32% of Canadians with mental disorders have talked to a health professional in the last 12 months. Twenty-one percent (21%) of Canadians with mental disorders do not seek help, despite feeling a need to do so. Partly for these reasons, mental health problems are vastly undiagnosed and untreated in North America.

EAPs can address this issue by building employee awareness of stress, burnout, disengagement, and depression and offering them comfortable alternatives to traditional counselling at no direct cost. For employees who are 'therapy-averse', EAP counselling, with its brief solution focus, may be viewed more as a form of coaching or guidance. While EAPs cannot

replace other forms of clinical counselling, they may be effective for addressing mild to moderate problems, and act as key access points for employees who require more intensive help for severe forms of distress.

The stress of disengaging work has been linked to depression, and the difficulties that some disengaged workers face may not be salient until depression is evident. However, depression has become one of the most treatable mental illnesses. Seventy to eighty percent (70-80%) of sufferers are successfully treated and can return to work within a relatively short period of time. In addition, a recent review of over 50 studies has concluded that productivity gains from depression treatment can far exceed direct treatment costs. Thus, employers who 'choose' to bear the costs of employee stress, engagement, and depression may be losing out.

THE SHEPELL·FGI RESEARCH GROUP

The Shepell·fgi Research Group, a subsidiary of Shepell·fgi, has a mandate to educate employers and business leaders on the physical, mental and social health issues that impact clients, their employees and families, and workplaces. The Research Group analyzes and provides commentary on key health trends, partnering with some of the industry's highest profile research institutes and scholars, and drawing from 25 years of expertise in the EAP industry. The findings contained in this report are based on Shepell·fgi proprietary data and are supported by information from a variety of academic, government, and private research sources. References have been omitted for space considerations and are available upon request. This study was conducted by Paul Fairlie, Director of Research of the Shepell·fgi Research Group. The Shepell·fgi Research Group is overseen by Paula Allen, VP Health Solutions and Shepell·fgi Research Group. Questions or comments may be directed to Paula Allen at 1-800-461-9722. © 2007 Shepell·fgi.