

STATE OF THE INDUSTRY:

EMPLOYEE WELLBEING, CULTURE AND ENGAGEMENT IN 2017

*Exploring the role employee
wellbeing plays in workplace culture
and employee engagement*

EXECUTIVE SUMMARY

In this year's State of the Industry survey, the third consecutive of HR leaders, we expanded the research beyond employee wellbeing to include employee engagement and culture. Survey results from over 600 HR and benefits leaders showed that wellbeing, engagement and culture remain top priorities, and revealed that employers that invest strategically in these areas experience greater outcomes that measurably impact business performance.

With 78% of this year's State of the Industry survey respondents reporting that wellbeing is a key component of their business

strategy, we expect the focus on employee wellbeing to shift from optional, nice-to-have programs, to mandatory, mission-critical business investments.

In 2017, organizations that put employee health and wellbeing at the core of their workplace cultures will continue to enjoy a significant competitive advantage in terms of higher employee engagement, increased productivity and stronger business performance.

KEY FINDINGS

Employee wellbeing remains a top priority and positively influences employee engagement.

Increasing employee engagement is a priority, but organizations are unclear on the best approach.

Culture remains king, with 95% responding that organizational culture is important in driving business outcomes.

87% of those surveyed responded that they currently or plan to invest in employee wellbeing as part of their employee engagement strategy. 97% of respondents agree with the statement that wellbeing positively influences engagement.

88% of respondents prioritize increasing employee engagement, but there is a lack of consensus around the strategies, tactics, challenges and results achieved to date, indicating an opportunity for organizations to realize wellbeing's foundational role in driving culture, employee engagement and business performance.

80% of respondents currently or will have initiatives in place in the next year to improve culture, which is critical for increasing engagement. The majority of organizations have cultural outcomes specifically in mind when designing employee engagement programs.

INTRODUCTION

Organizations around the world are increasingly recognizing the critical role employee wellbeing plays in engaging employees and cultivating strong workplace cultures that drive business performance. Engagement has been elusive for most companies, with Gallup reporting global employee engagement at 13%¹. Forward-thinking organizations are well aware that employee engagement is heavily influenced by employee wellbeing and workplace cultures.

In this year's survey, respondents indicated that in addition to improving employee health and wellbeing, the leading HR initiatives for the coming year include: talent recruiting and retention, increasing employee engagement, employee communications, improving and changing organizational culture.

To realize critical business results and drive increased levels of performance, organizations must recognize wellbeing's foundational role in driving engagement, productivity and business performance in 2017 and beyond.

READ ON TO LEARN:

- How **wellbeing positively influences employee engagement** and top areas of focus
- How a more advanced approach to **employee engagement drives better results**
- Where the **interconnections between employee wellbeing, company culture and employee engagement** exist
- What HR views as **top priorities and potential roadblocks** for 2017

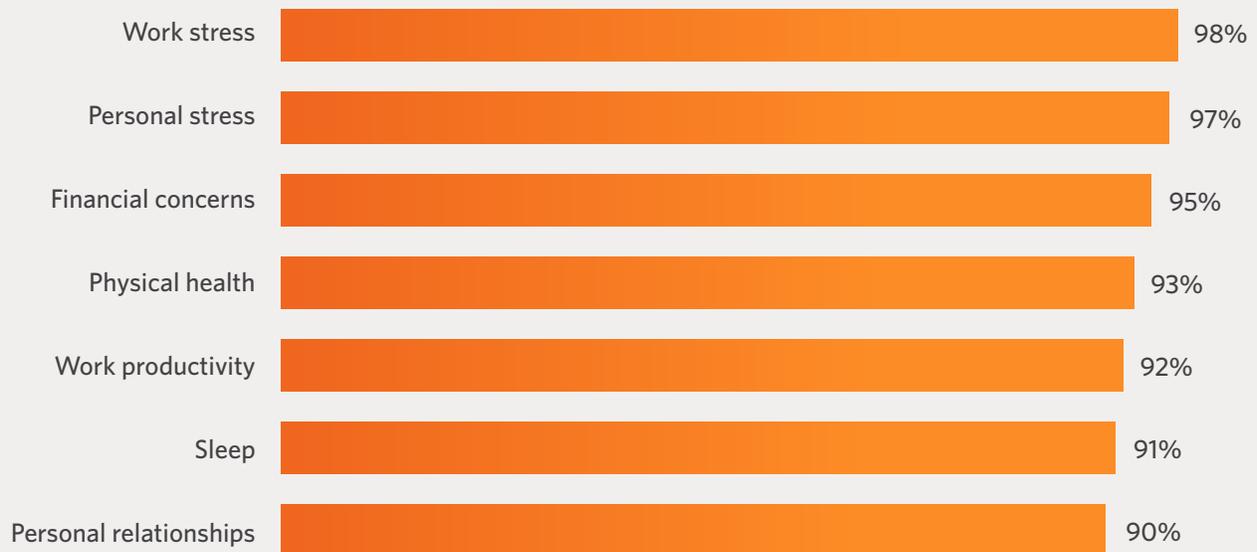
¹ *State of the Global Workplace*, Gallup, 2013.

WELLBEING INFLUENCES EMPLOYEE ENGAGEMENT

How do organizations know when their employees are engaged? In general, employees feel engaged when they are invested in their company's future and culture, feel like their jobs give them a sense of purpose and have great relationships with their co-workers.² Health and wellbeing – physical, mental, financial and emotional – also affect employee engagement, and the majority of organizations realize that connection.

Ninety-seven percent of respondents agree that wellbeing influences employee engagement. A high percentage (87%) of organizations currently invest or plan to invest in employee wellbeing as part of their engagement strategy. There is also strong consensus on the elements of wellbeing that impact employee engagement. High stress levels, both at home and in the office, financial concerns, poor physical health and demands for greater levels of productivity, can all adversely affect employee engagement. Nearly all of our respondents – 97-98% – believe workplace and personal stress adversely impact employee engagement (Figure 1).

Figure 1: Areas of wellbeing with the greatest impact on employee engagement



2 McKee, A. "Being Happy at Work Matters." *Harvard Business Review* 2016.

Figure 1 shows that organizations view various areas of wellbeing as top concerns that impact employee wellbeing. A common theme among the top three areas - work stress, personal stress and financial concerns - is the compounding effects they can have on other areas of wellbeing.



Consider:

- Work-related stress costs U.S. companies \$30 billion a year in lost productivity due to sick days and absenteeism.³
- One in five workers report feeling extremely stressed, mostly due to work or finances. These employees are more than four times as likely to suffer from symptoms of fatigue, headaches, depression or other ailments - and twice as likely to report poor overall health, leading to increased absenteeism and decreased productivity.⁴
- In the past six months, a third of workers placed work commitments over family commitments, which has a detrimental effect on personal relationships.⁵

By focusing their efforts to help employees' improve in these high-impact areas, organizations benefit from a more holistic approach to improving wellbeing and deliver a worthwhile employee experience. In doing so, they reap the benefits of a more engaged workforce, including improving their bottom line, as happier, healthier employees are more likely to be engaged in all aspects of their lives, both personally and professionally. As a result, organizations will bolster their commitment to overall wellbeing in the near future, with financial and stress management initiatives listed as top priorities in the next few years.⁶

3 Pazzanese, C. "The high price of workplace stress." *Harvard Gazette*, 2016.

4 Lockton Retirement Services, "Finding the Links Between Retirement." *Stress and Health*, 2016.

5 *The well-being pulse survey*. Deloitte, 2015.

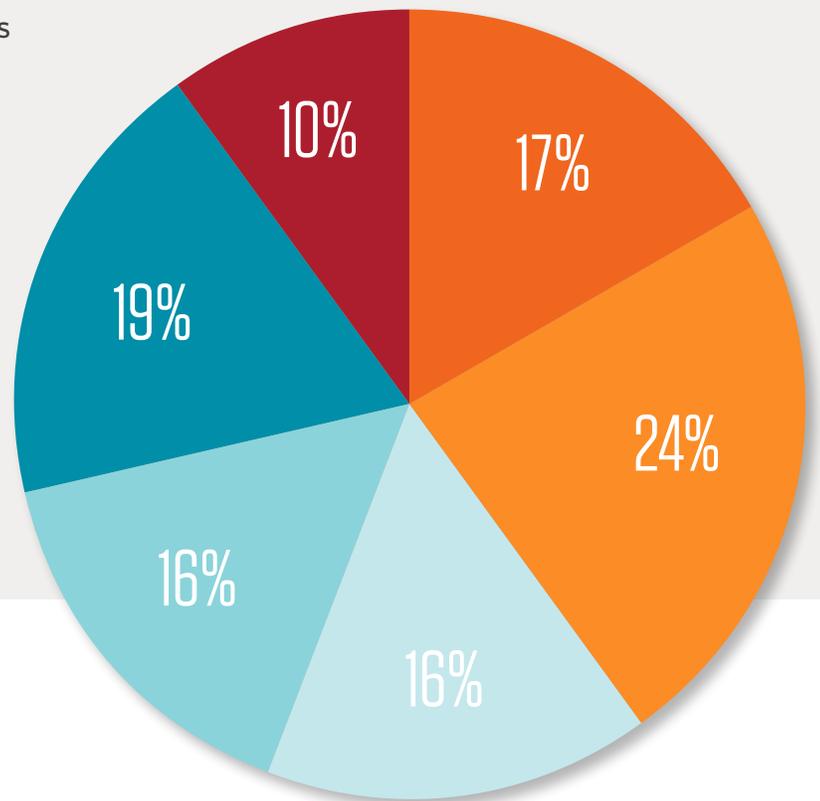
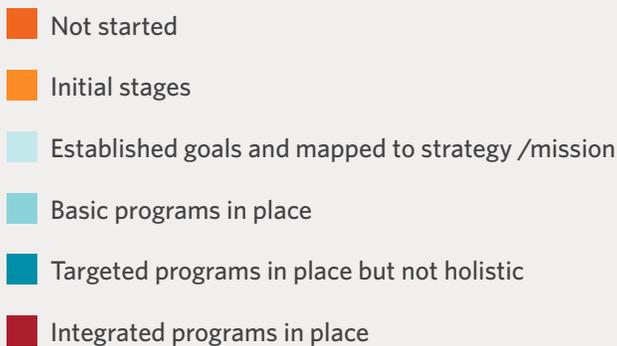
6 *Business of Healthy Employees*, Virgin Pulse, 2016.

CONSENSUS: ENGAGEMENT IS PRIORITY, BUT DISPARITY IN TACTICS, RESULTS

While organizations recognized the importance of developing employee engagement, they vary greatly in terms of current program offerings. Only 29% of respondents have established engagement programs to fit specific needs or offer an integrated solution that links to organizational strategy. Meanwhile, 41% of organizations are either in the initial stages of defining employee engagement or have yet to begin an initiative to increase engagement in their organization (Figure 2). However, those organizations that have implemented engagement programs show significant improvements in workplace/organization culture and employee satisfaction.

Disparity in program maturity leads to differing views on challenges to achieving greater employee engagement and business results. As we'll discuss in further depth later in the report, organizations that employ a more advanced employee engagement program face less roadblocks and realize greater organizational outcomes – further motivation for organizations to prioritize employee wellbeing and engagement.

Figure 2: How developed are your organization's employee engagement programs?

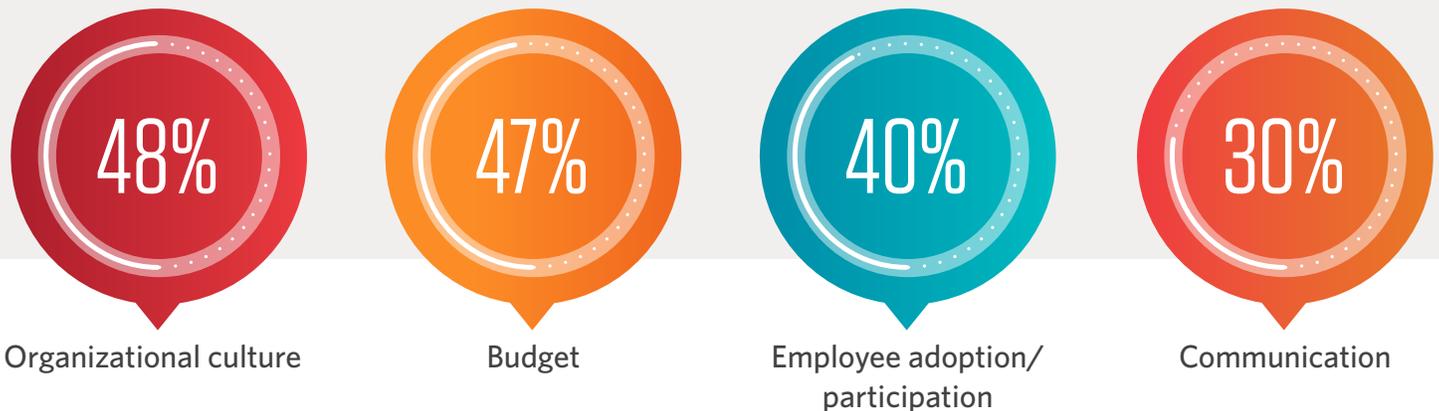


CHALLENGES AND ROADBLOCKS TO GREATER ENGAGEMENT

What is preventing organizations from ultimately increasing employee engagement? For many, the current workplace culture is resistant to change, while others struggle to boost adoption or participation in initiatives designed to increase employee engagement. Some don't yet have senior leadership buy-in, while others don't have the budget they need. **Current organizational cultures that resist change are the top roadblock among respondents**, with nearly half (48%) citing it as a top challenge (Figure 3).

Participation is another challenge to improvements. Incentivizing employees to join engagement programs is one way to increase participation. While incentives can either be rewards for joining or punishments for nonparticipation, incentives are currently trending more toward carrot than stick, as organizations find that rewards drive participation more than punishments do. Note, incentives alone do not increase employee engagement. Instead, they are a tool to drive participation in engagement programs.⁷

Figure 3: Roadblocks to increasing employee engagement



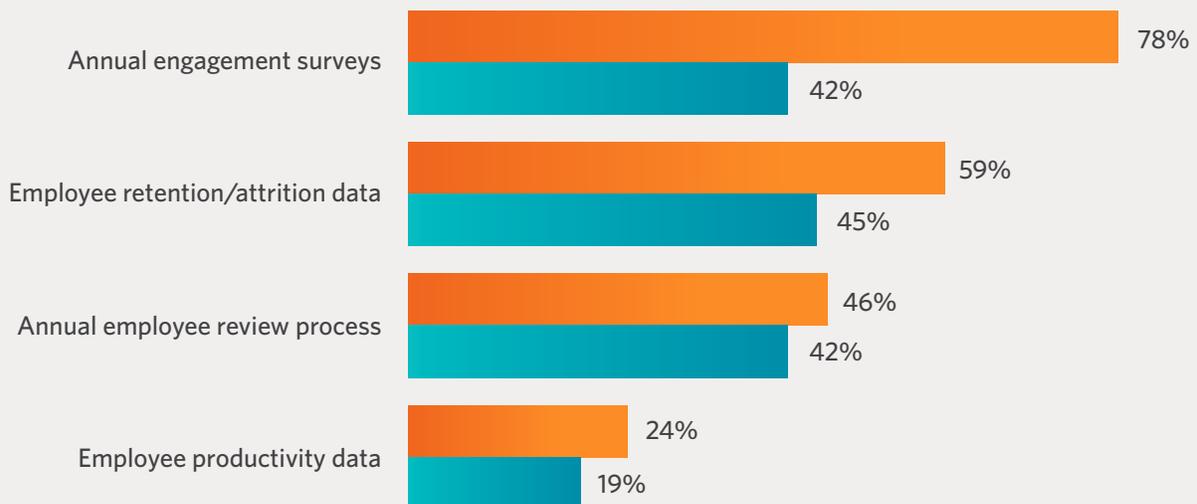
The fact that the top challenge yielded just 48% of responses speaks to various barriers organizations continue to face as they achieve organizational buy-in on employee engagement programs. It also points to incongruent approaches that do not effectively move the needle. As we'll discuss in the next section, organizations that emphasize improving employee wellbeing as the foundation of their employee engagement strategy are best suited to influence culture and employee engagement to ultimately drive critical business results.

⁷ Scott, D. and McMullen, T. *The Impact of Rewards Programs on Employee Engagement*. WorldAtWork, 2010.

SUCCESS BREEDS SUCCESS: THE STRATEGIC ENGAGEMENT MODEL

In this year's survey, we asked respondents to describe the current development level of their organizations' employee engagement programs (Figure 2) and segmented the responses by maturity to gain a better understanding of their program's impact. We categorized the aforementioned top 29% of respondents (the most "mature" respondents, identified as groups E and F in Figure 2) as strategic organizations – those that have programs in place to meet specific needs, such as employee wellbeing, and those that employ an integrated approach to wellbeing and engagement to drive business results. The results favor the strategic organizations in terms of data measurement, overcoming challenges/roadblocks and greater business outcomes, as seen in Figures 4-6.

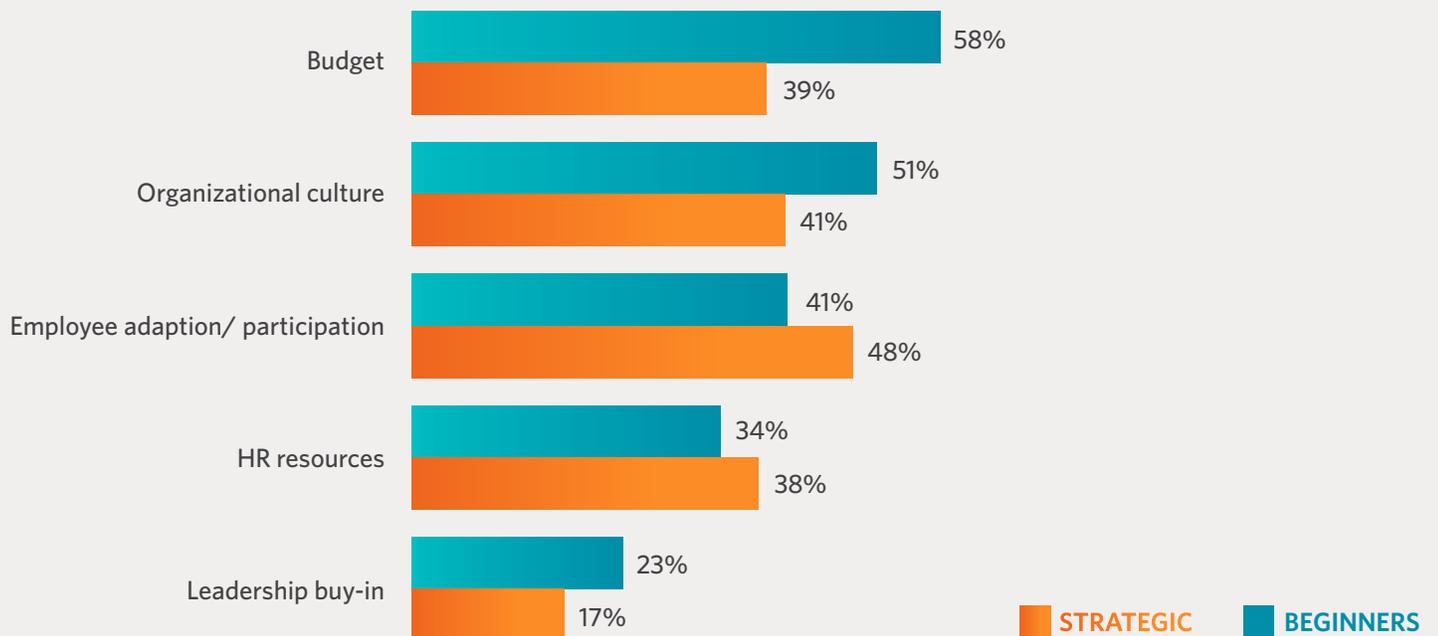
Figure 4: How organizations measure employee engagement (by maturity)



STRATEGIC **BEGINNERS**

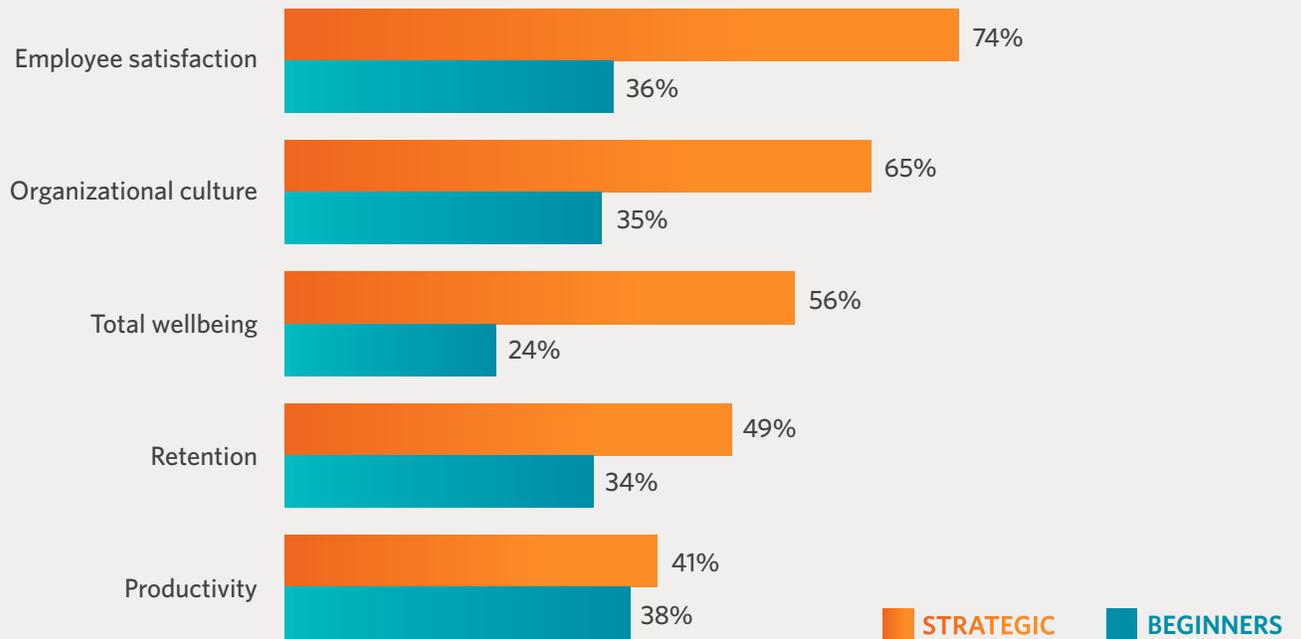
Organizations with more developed solutions are more data-driven and do more to produce positive outcomes. Most organizations recognize wellbeing’s foundational role in further strengthening engagement, as nearly 87% of respondents either currently invest or plan to invest in employee wellbeing as part of their engagement strategy in the next five years. Whether tracking engagement through questions on annual employee engagement surveys or reviewing employee productivity data, strategic organizations utilize more tools for improving wellbeing, driving culture and measuring the impact of engagement. (Figure 4).

Figure 5: Challenges/roadblocks to increasing employee engagement (by maturity)



Roadblocks can occur at any stage. However, strategic organizations further along the wellbeing and engagement path are better prepared to overcome challenges and roadblocks (Figure 5). As organizations start developing a plan to tackle employee engagement, they may have difficulty securing budget for programs or senior leader buy-in. Organizations that employ more advanced models experience less difficulty securing budget and executive buy-in, perhaps related to the availability and greater use of qualitative and quantitative data, which reinforces programmatic results.

Figure 6: Outcomes experienced from efforts to improve employee engagement (by maturity)



From retention to productivity, organizations with more developed programs reap the benefit of their efforts, with positive increases in wellbeing and culture (Figure 6). Organizations just starting their journey to improving engagement, wellbeing and culture, can point to the success of more strategic organizations to secure budget and buy-in.

CULTURE IS VIEWED AS A STRONG BUSINESS DRIVER

When it comes to strengthening business performance, organizations look to culture to improve the bottom line. **Ninety-five percent of respondents believe organizational culture is important in driving business outcomes** and the majority of organizations have cultural outcomes specifically in mind when designing employee engagement programs.

The focus on organizational culture leads to an emphasis on showcasing organizational mission and values to acquire and retain talent.

- 80% of respondents reported that their organization's HR policies and hiring practices reflect their mission and values statements, putting values first from day one.
- 90% of organizations also take cultural fit into consideration to some degree during the hiring process.

Yet, almost a third of respondents say their organization's mission and values statements have not been updated in the past five years (Figure 7). Globally, organizations are prioritizing furthering their mission and values as a top wellbeing objective.⁸

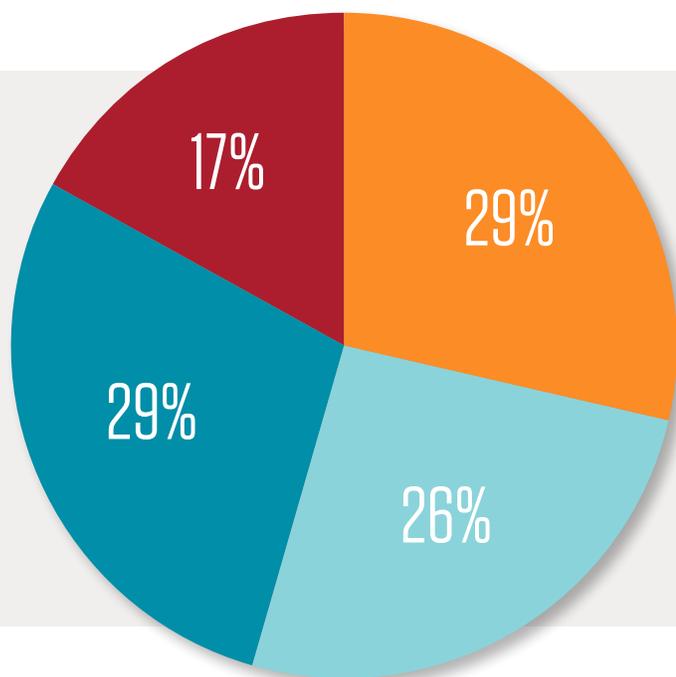


Figure 7: When was the last time your organization updated its mission and values?

- Within the last year
- Within 1-2 years
- Within 3-5 years
- More than 5 years ago

Q: How does your organization's mission and values drive culture?

A: "Through employee engagement and top management support."

"Our mission is 'to enrich the lives of our employees.'"

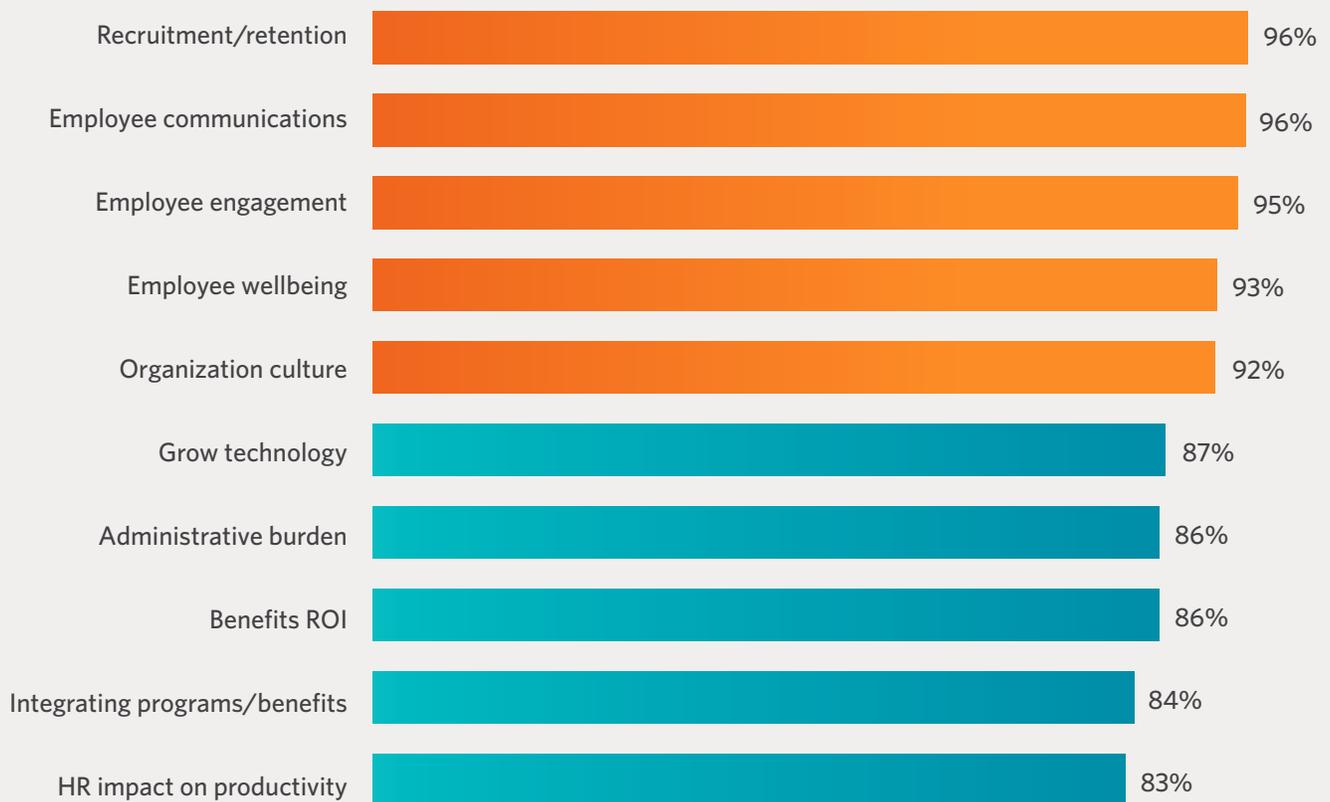
"Engaging employees in activities for personal and group development and growth — social, learning and community support activities."

—survey respondents, open comments

PRIORITIES AND SOLUTIONS

In the coming year, respondents indicated that in addition to improving employee health and wellbeing they will prioritize the following HR initiatives: talent recruiting and retention, employee communications, increasing employee engagement, and improving and changing organizational culture (Figure 8).

Figure 8: Top HR initiatives for 2017



Organizations will continue to take workplace culture improvements seriously. Nearly eight in ten (79%) have specific initiatives in place to address workplace culture or plan to have such a program in place within the next year to address all aspects of wellbeing, culture and engagement.

Simply having a program or initiative in place won't magically improve wellbeing, culture or employee engagement, however. For programs to move the needle and deliver results, organizations must assess them regularly to ensure they meet target goals and effectively drive engagement.

Current trends in wellbeing, culture and engagement measurement show there's room for growth. Globally, only 36% of organizations measure outcomes from wellbeing programs.⁹ Our research unveiled that while the primary motivation for implementing employee engagement programs is to improve culture, less than half of organizations have specific initiatives in place to do so. And, **one in six respondents do not currently measure employee engagement at all.**

As organizations continue to evolve and become more strategic in their approach, greater availability of both qualitative and quantitative data will aid in strengthening the business case for employee wellbeing and engagement initiatives.

Q: What one action could your organization take to have the most positive impact on employee engagement at your organization in the next year?

A: *"A more consistent global approach to communicating and rolling out engagement programs and advertising existing programs."*

—survey respondent



9 Working Well: A Global Survey of Workforce Wellbeing Strategies. Xerox 2016.

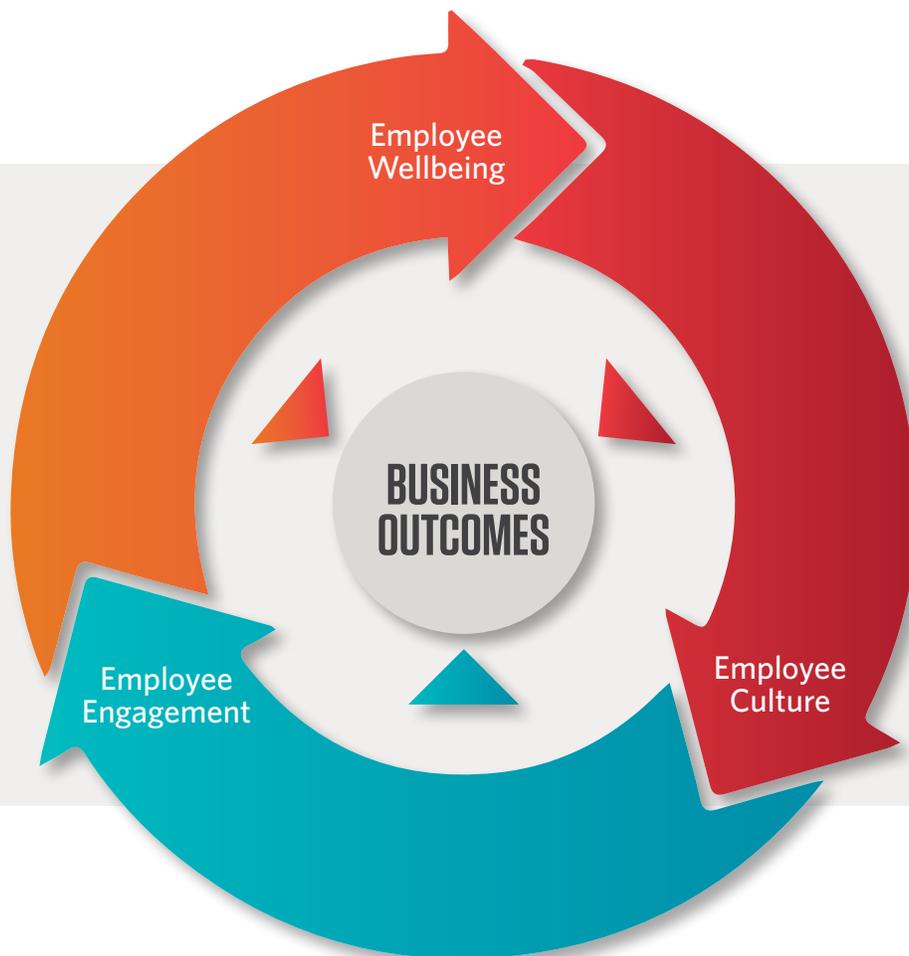
CONCLUSION

Before designing programs to increase employee engagement, organizations must first acknowledge that employee wellbeing, workplace culture and engagement all connect and influence each other to accelerate business outcomes. Employee engagement relies on having an inclusive work culture and positive approaches to employee wellbeing. Wellbeing depends on high levels of employee engagement and a work culture that respects work-life balance. Positive work culture depends on committed and healthy employees. When one area is lagging, the other two will suffer.

With disengagement recognized as a critical barrier for organizations looking to improve business outcomes, business leaders are looking to understand the factors that most directly and consistently impact employee engagement. Perhaps not surprisingly, workplace culture plays a key role in engaging employees. Less obvious, but equally important, however, is the foundational role employee wellbeing plays in connecting employee engagement and workplace culture to business outcomes and performance.

“In the coming year, we plan to maintain clear, strong connections between company values and employee values and company goals and employees’ personal goals.”

—survey respondent



While engagement, wellbeing and culture are all critical to a healthy organization, wellbeing is especially crucial to organizational business strategy. **Employee wellbeing is not an option – it’s a key component to improving an organization’s bottom line.** Many organizations recognize this: among survey respondents¹⁰ almost eight in 10 (78%) see employee wellbeing as a critical component of their business strategy.

According to data from the Virgin Pulse Institute, clients who adopt the Virgin Pulse wellbeing platform experience healthier employees and [healthier businesses](#) with employees taking fewer sick days (11 fewer sick hours per year, per member), reduced safety incidents (2.9x fewer worker’s compensation claims per member), and less turnover (29% lower for members). In terms of culture, more than two-thirds of members say that having access to the Virgin Pulse wellbeing program makes their company a [better place to work](#). Almost half of all members report they are [more productive](#) as a result of using the Virgin Pulse platform.

An organization that invests in its employees through initiatives designed to improve wellbeing influence culture, increase engagement and drive positive business results. Organizations with advanced approaches to wellbeing and engagement assess a variety of metrics to ensure program effectiveness, and realize fewer barriers and great outcomes. By recognizing employee wellbeing as the foundation to improve culture and engagement, organizations can expect their businesses to thrive.



“Our organization wants to build a workplace where everyone feels safe, healthy and valued.”

—Survey respondent

¹⁰ See Appendix for survey information.



Virgin Pulse

Virgin Pulse, part of Sir Richard Branson's famed Virgin Group, helps employers create workforces that are happier, healthier and ultimately more productive in all aspects of their personal and professional lives. The company's modern, mobile-first platform delivers a personalized user experience that utilizes gamification to engage users in building habits that inspire meaningful and measurable change across individuals and the business. By helping employees thrive at work and in all aspects of life, Virgin Pulse is helping change lives and businesses for good. Unlike narrowly focused employee health solutions, Virgin Pulse's solutions span the full wellbeing spectrum - from traditional wellness to strategic wellbeing - providing organizations with solutions that are appropriate for them today and tomorrow. More than 2,200 organizations representing many of the Fortune 500 and Best Places to Work have selected Virgin Pulse's solutions to engage their workforces and drive their businesses forward.

Learn more at www.virginpulse.com.



Workforce

Workforce is a multimedia publication that covers the intersection of people management and business strategy. Our community of senior-level human resources executives and C-level officers are the key decision-makers on talent management matters in the 2,500 largest corporations in America. They read us for our editorial focus and relevance to help them improve their business — and their bottom line — through effective management of the workforce. While employees and executives often bemoan the bureaucratic nature of HR processes, companies increasingly realize they need to be smarter about the ways they attract, retain and train their workforce. Our content helps HR professionals approach their jobs from a more strategic, big-picture, business-results perspective.

For more, visit www.workforce.com.



Human Capital Media

The Human Capital Media (HCM) Research and Advisory Group is the research division of Human Capital Media, publisher of *Chief Learning Officer*, *Talent Economy* and *Workforce* magazines. The Research and Advisory Group specializes in partnered custom content solutions — customizable and proprietary deliverables that integrate seamlessly with existing marketing programs. Our proprietary Talent Tracker data tool gives practitioners point-of-need data analytics access to inform strategic HR decisions. By leveraging access to senior-level decision-makers and identifying industry trends, the HCM Research and Advisory Group can deliver keen insight into all areas of L&D, talent and HR.

For inquiries, contact Sarah Kimmel, vice president: skimmel@humancapitalmedia.com.

APPENDIX: SURVEY INFORMATION

All statistics (unless otherwise noted) were taken from the 2017 *Workforce State of the Industry: Employee Engagement* survey, presented by Human Capital Media — the research arm of *Workforce* magazine — in partnership with Virgin Pulse.

Dates

October 20 – November 4, 2016

Demographics

Total number of respondents: 620

Organizational respondent level: 42% at or above director level

Organizational size

1–499: 50%

500–1,000: 8%

1,001–4,999: 16%

5,000–9,999: 8%

10,000 or more: 18%

Industry

BioPharma: 1%

Construction: 1%

Education: 8%

Engineering: 2%

Finance/banking: 6%

Food: 2%

Government: 8%

Healthcare provider: 8%

Hospitality: 1%

Insurance provider: 4%

Manufacturing: 11%

Nonprofit: 6%

Professional services: 14%

Retail: 3%

Technology: 5%

Telecommunications: 1%

Transportation: 2%

Other: 18%

Geographic distribution

U.S. only: 58%

Headquartered in the U.S. (with global locations): 6%

Outside of the U.S.: 18%

All over the world: 19%

Figures may not total 100% due to rounding.

All charts reflect the total number of survey respondents, unless otherwise noted.