

EMPLOYEE BENEFITS AND EMPLOYEE ENGAGEMENT: THE CYCLICAL CONNECTION IS UNDENIABLE

Background

Employee benefits are a huge cost to virtually every employer organization and health care is the primary driver. The folks in Washington, D.C. have helped raise public awareness, but they have focused on the financing mechanism (health insurance) and not the real problems in health care. While some issues are beyond employers' immediate control (i.e. government cost shifting, provider quality), a tremendous opportunity exists to CHANGE THE GAME by improving the health of your employees and the way they consume health care services. Full employee engagement is at the heart of stabilizing health care costs.

This paper will demonstrate how employee benefits and employee engagement are directly linked and how benefit programs can be used to improve business outcomes.

What exactly is Employee Engagement?

Dale Carnegie suggests that employee engagement involves a workplace in which workers:

- Feel personally and emotionally bound to the organization
- Feel pride in recommending it as a good place to work to other people
- Get more than just wage or salary from working there and are attached to the intrinsic rewards they gain from being with the organization, and
- Feel a close attachment to the values, ethics and actions embodied by the organization.

The Gallup Organization has spent over 30 years researching and measuring employee engagement at companies around the world using their G12 index (see Figure 1).

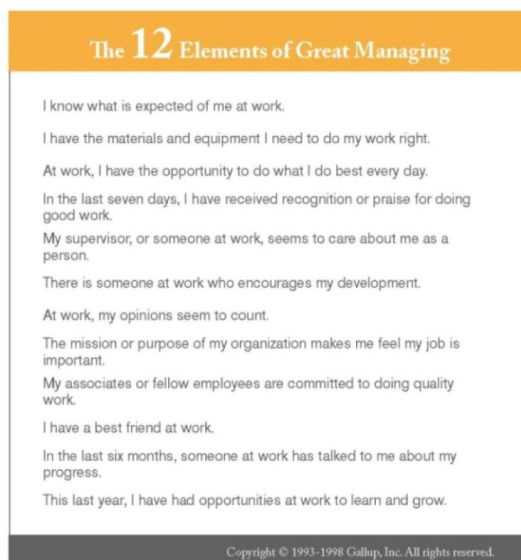


Figure 1. Gallup's G12 Index.

“World Class” organizations treat employee engagement as a core strategy.

According to Gallup, “World Class” organizations have a significantly higher ratio of “Engaged” to “Actively Disengaged” employees (8 to 1) than the “Average” company (1.5 to 1) (see Figure 2). The Gallup researchers conclude that “World Class” organizations are more profitable, more customer-focused, safer and more likely to retain talent. Employee engagement is a core strategy in these organizations: they believe that engagement is what drives business outcomes.

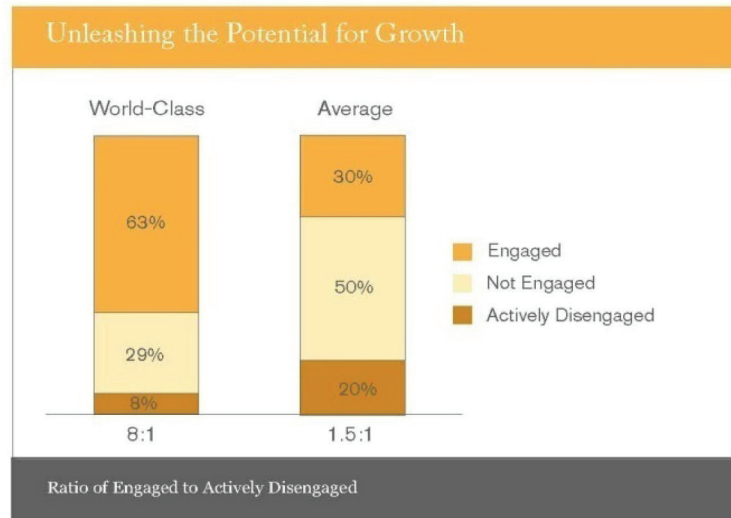


Figure 2. Engagement Ratios.

The #1 driver of employee engagement is senior management’s interest in an employee’s well being.

So what can a company do to improve employee engagement? According to Towers Perrin’s 2007-2008 Global Workforce Study, an employee’s belief that senior management was interested in his or her well-being was the number one driver of employee engagement.

The survey suggests that “employees are actually eager to invest more of themselves to help the company succeed. And they will do so - if they see the personal return on investment (ROI). The influence of the organization, especially its senior leadership, far outweighs employees’ personal traits (like ambition or learning orientation) or, say, the role of a person’s manager,” according to Julie Gebauer of Towers Perrin.

Towers Perrin’s conclusions are reinforced by numerous other studies. Juice, Inc. identified five emotional drivers that produce the highest levels of organizational energy and unlock employees willingness to offer their discretionary effort (see Figure 3).

"I Fit"	<p>My role is a good match for my talents. My role is a good match for my interests. I fit in well with my team – I feel I belong here. I feel understood by my team – I experience no unnecessary friction or confusion. I feel safe in my current role – both emotionally and physically.</p>
"I'm Clear"	<p>I'm crystal clear on the expectations my manager has of me. I receive important information when I need it. I'm clear on the big picture of how things work here and how I contribute to it. I'm clear on how my manager feels about my progress. I'm clear on leadership's direction, strategy and objectives.</p>
"I'm Supported"	<p>I feel equipped with all the resources I need to succeed: time, training, tools and systems. I feel my compensation and benefits package is fair for the contribution I make here. My manager "has my back," supports me and goes to bat for me when I need it. I have the freedom and authority to do what I'm responsible to do. I'm getting the career and growth opportunities that are important to me.</p>
"I'm Valued"	<p>I feel my leaders value me as a person—not as a tool or an asset. I feel recognized and appreciated for my contribution. I feel I am being treated fairly. My leaders are serious about protecting my work/life balance. My leaders listen to me in a way that makes me feel respected and understood.</p>
"I'm Inspired"	<p>I feel a sense of pride and connection with the purpose of my organization. Underperformers are not ignored here—employees are held completely accountable. I feel I am achieving great results. My colleagues and leaders walk the talk. The passion of my colleagues inspires me to drive for more aggressive goals.</p>

Figure 3. Juice, Inc. Emotional Drivers.

Emotional engagement is 4x times more valuable than rational engagement.

In its 2004 Employment Engagement Survey, the Corporate Leadership Council found that “emotional engagement is four times more valuable than rational engagement in driving employee effort.” The authors of “E” is for Engagement: Transforming Your Business By Transforming Your People write: “...leaders, organizations, and individuals are trying to manage change intellectually rather than engage in it emotionally. To create meaningful change, we must engage the hearts of our employees.”

The Psychology of Benefits

We have spent the past decades designing and paying for a “benefits package” for our employees, made up of “things”, like health, dental, life, disability insurance, etc. We provided these “things” to compete in the labor market, to attract/retain our workforce and to CARE for their safety/well-being/future. Yet, employees often feel disillusioned by their benefits because in their eyes BENEFITS ARE NOT THINGS. To them, they represent a vital safety net which will be there when needed. Though largely perceptual and emotional, it affirms the premise that 80% is more “feeling” than “rational.”

Basic psychology derived from the Maslow's Hierarchy of Needs research (see Figure 4), clearly details that human beings can only ascend to higher levels of development/performance/engagement once their basic needs are met. As our needs for air, food, shelter and safety are satisfied, only then can we concern ourselves with the advanced desires of affiliation, belonging, meaningful work, self actualization, etc.

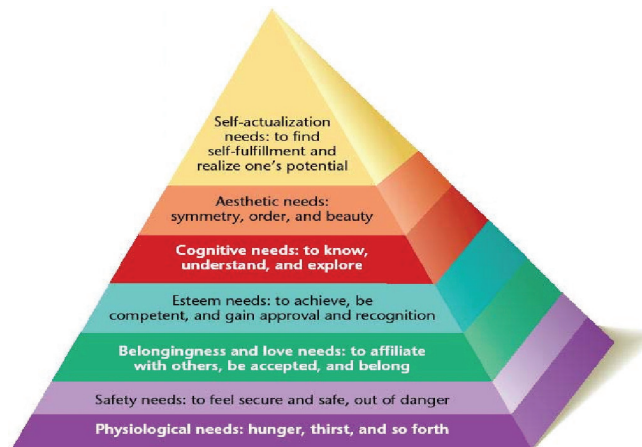


Figure 4. Maslow's Hierarchy of Needs.

Those of us in the business of benefits have rarely looked at it in these psychological terms. Companies that promote “the what” of benefits without “the why”, miss a huge opportunity to engage their workforce towards greater performance. When benefit programs erode, so do employee's perceptions about how much their company cares about their well-being. This leads to worrying about their own unmet needs - out of pocket expense, smaller paycheck, etc. - further disengaging them from their employer's objectives and mission. They descend in the pyramid, actively disengaging with each and every unmet need and/or unrealized expectation.

Benefits ARE deeply and profoundly psychological - health care in particular. In order to preserve value, employers need to reflect on several important questions:

- * Do we feel comfortable that we have control over future costs?
- * Are we providing “benefits” to enough of our people?
- * Do our programs positively contribute to employee engagement?

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Conclusion:
The Cyclical Connection

If your answer is NO to one of these questions, it might as well be NO to all three. No control will lead to lesser benefits; Lesser benefits will lead to lower engagement levels; Lower engagement levels will lead to less control over costs. The cyclical connection is undeniable!

Employee engagement must be the starting point for taking control of our collective health care future. We cannot rely on the other players (insurers, providers, government) to fix the problems. To create meaningful change, we must engage the hearts of our employees.

In the case studies found in the appendix, the strategies employed were successful because they appealed to the emotions of employees. In the end, employees were engaged in the dialogue (see Figure 5). Anything less, especially in health care, will fall short of the mark!

■ **THE BENEFITS & ENGAGEMENT CYCLE**



Figure 5. The Benefits & Engagement Cycle.