

STATE OF THE AMERICAN WORKPLACE

EMPLOYEE ENGAGEMENT INSIGHTS
FOR U.S. BUSINESS LEADERS

GALLUP®

TO WIN CUSTOMERS — and a bigger share of the marketplace — companies must first win the hearts and minds of their employees. If you are a business leader serious about implementing proven engagement strategies for growth at your organization, contact Sarah Van Allen at 202-715-3152 or at sarah_van_allen@gallup.com

COPYRIGHT AND TRADEMARK STANDARDS

This document contains proprietary research, copyrighted materials, and literary property of Gallup, Inc. It is for your guidance only and is not to be copied, quoted, published, or divulged to others. All of Gallup, Inc.'s content, unless otherwise noted, is protected by copyright © 2013. All rights reserved. This document is of great value to Gallup, Inc. Accordingly, international and domestic laws and penalties guaranteeing patent, copyright, trademark, and trade secret protection safeguard the ideas, concepts, and recommendations related within this document.

No changes may be made to this document without the express written permission of Gallup, Inc.

Gallup®, Q¹²®, Clifton StrengthsFinder®, StrengthsFinder®, Engagement Creation Index™, HumanSigma®, Gallup Panel™, Gallup-Healthways Well-Being Index®, and CE¹¹® are trademarks of Gallup, Inc. All rights reserved. All other trademarks and copyrights are the property of their respective owners.

The Q¹² items are protected by copyright of Gallup, Inc., 1993-1998. All rights reserved.



ABOUT THIS REPORT

The *State of the American Workplace: Employee Engagement Insights for U.S. Business Leaders* report highlights findings from Gallup's ongoing study of the American workplace from 2010 through 2012. This is a continuation of Gallup's previous report on the U.S. workplace covering 2008 through 2010. This latest report provides insights into what leaders can do to improve employee engagement and performance in their companies. It includes an overview of the trend in U.S. employee engagement, a look at the impact of engagement on organizational and individual performance, information about how companies can accelerate employee engagement, and an examination of engagement across different segments of the U.S. working population.



FROM THE CEO

Leaders,

Here's something they'll probably never teach you in business school: The single biggest decision you make in your job — bigger than all of the rest — is who you name manager. When you name the wrong person manager, nothing fixes that bad decision. Not compensation, not benefits — nothing.

At Gallup, we've studied the impact of human nature on the economy for decades. We've now reviewed more than 25 million responses to our employee engagement survey, the Q¹². And what we found out about managers and employees has serious implications for the future of American companies and the world.

Of the approximately 100 million people in America who hold full-time jobs, 30 million (30%) are engaged and inspired at work, so we can assume they have a great boss. At the other end of the spectrum are roughly 20 million (20%) employees who are actively disengaged. These employees, who have bosses from hell that make them miserable, roam the halls spreading discontent. The other 50 million (50%) American workers are not engaged. They're just kind of present, but not inspired by their work or their managers.

Here's what you need to know: Gallup research has found that the top 25% of teams — the best managed — versus the bottom 25% in any workplace — the worst managed — have nearly 50% fewer accidents and have 41% fewer quality defects. What's more, teams in the top 25% versus the bottom 25% incur far less in healthcare costs. So having too few engaged employees means our workplaces are less safe, employees have more quality defects, and disengagement — which results from terrible managers — is driving up the country's healthcare costs.



Gallup research also shows that these managers from hell are creating active disengagement costing the U.S. an estimated \$450 billion to \$550 billion annually. If your company reflects the average in the U.S., just imagine what poor management and disengagement are costing your bottom line.

On the other hand, imagine if your company doubled the number of great managers and engaged employees. Gallup finds that the 30 million engaged employees in the U.S. come up with most of the innovative ideas, create most of a company's new customers, and have the most entrepreneurial energy.

When leaders in the United States of America — or any country for that matter — wake up one morning and say collectively, “Let’s get rid of managers from hell, double the number of great managers and engaged employees, and have those managers lead based on what actually matters,” everything will change. The country’s employees will be twice as effective, they’ll create far more customers, companies will grow, spiraling healthcare costs will decrease, and desperately needed GDP will boom like never before.

This isn’t impossible. It’s doable. And Gallup is working with some of the world’s biggest and best companies to make it happen.



Jim Clifton
Chairman and CEO

TABLE OF CONTENTS

8 EXECUTIVE SUMMARY

Although the state of the U.S. economy has changed substantially since 2000, the state of engagement within the American workplace has not. Engaged employees provide the vital competitive advantage U.S. companies need to regain their stature in the global marketplace.

12 U.S. WORKFORCE ENGAGEMENT STAGNANT – HOLDING BACK ECONOMY

Seven in 10 American workers are “not engaged” or “actively disengaged” in their work, meaning they are emotionally disconnected from their workplaces and less likely to be productive.

16 A CLOSER LOOK AT UNEMPLOYMENT IN THE U.S., 2010-2012

Gallup began measuring employment trends daily in 2010 and developed a unique metric to track full-time employment among the U.S. adult population that is unaffected by shifts in the nation’s workforce size.

18 HOW GALLUP MEASURES EMPLOYEE ENGAGEMENT

Gallup’s Q¹² metric shows that employee engagement is measurable, manageable, and improvable.

24 HOW EMPLOYEE ENGAGEMENT DRIVES GROWTH

Gallup’s recent meta-analysis confirms employee engagement’s well-established links to nine essential performance outcomes, and additional research connects employee engagement to higher earnings per share.

27 WORKPLACE PERKS NO SUBSTITUTE FOR ENGAGEMENT

Engagement has a greater impact on employees’ wellbeing than perks such as vacation time and flexible hours.

29 EMPLOYEES ALLOWED TO WORK REMOTELY ARE MORE ENGAGED

When workers have the opportunity to work off-site, they are slightly more engaged and log more hours at work each week.

31 MAGIC NUMBERS: HOW ORGANIZATION SIZE AND TEAM SIZE AFFECT ENGAGEMENT

Employee engagement flourishes in smaller, tight-knit environments.

32 DIFFERENT TYPES OF WORKERS DEMAND DIFFERENT ENGAGEMENT STRATEGIES

Learn how occupation, tenure, age, education, and gender play a role in employees' engagement levels.

43 THREE WAYS TO ACCELERATE EMPLOYEE ENGAGEMENT

Gallup helps organizations boost engagement levels with strategies to hire the right employees, develop their strengths, and enhance their wellbeing.

- 1.** Select the Right People
- 2.** Develop Employees' Strengths
- 3.** Enhance Employees' Wellbeing

54 LINKING EMPLOYEE ENGAGEMENT TO CUSTOMER GROWTH

Employee engagement is not an end in itself. The moment an employee connects with a customer is a source of untapped power that has profound implications for a company's profitability.

59 WHAT THE BEST DO DIFFERENTLY

Despite a challenging business environment and stagnant engagement levels nationally, many organizations that partner with Gallup are finding success by making employee engagement the focus of their growth strategies.

STATE OF THE AMERICAN WORKPLACE

EMPLOYEE ENGAGEMENT INSIGHTS FOR U.S. BUSINESS LEADERS

EXECUTIVE SUMMARY

While the state of the U.S. economy has changed substantially since 2000, the state of the American workplace has not. Currently, 30% of the U.S. workforce is engaged in their work, and the ratio of engaged to actively disengaged employees is roughly 2-to-1, meaning that the vast majority of U.S. workers (70%) are not reaching their full potential — a problem that has significant implications for the economy and the individual performance of American companies. Gallup's research shows that employee engagement remains flat when left unmanaged. However, there are pockets of organizations in the U.S. that have figured out engagement, and some, like Gallup's Great Workplace Award winners, are reaping the benefits of having more than five times the ratio of engaged to actively disengaged employees.

This report includes an overview of the trend in U.S. employee engagement, a look at the impact of engagement on organizational and individual performance, information about how companies can accelerate employee engagement, and an examination of engagement across different segments of the U.S. population. Findings from what the strongest organizations do differently provide insights into what any company can do to improve employee engagement and performance.

Through decades of research with hundreds of organizations and more than 25 million employees, Gallup leads the world in its unparalleled understanding of engagement's impact on the workplace.

SOME OF GALLUP'S MOST IMPORTANT FINDINGS INCLUDE:



ENGAGEMENT MAKES A DIFFERENCE TO THE BOTTOM LINE

- Engaged workers are the lifeblood of their organizations. Work units in the top 25% of Gallup's Q¹² Client Database have significantly higher productivity, profitability, and customer ratings, less turnover and absenteeism, and fewer safety incidents than those in the bottom 25%.
- Organizations with an average of 9.3 engaged employees for every actively disengaged employee in 2010-2011 experienced 147% higher earnings per share (EPS) compared with their competition in 2011-2012. In contrast, those with an average of 2.6 engaged employees for every actively disengaged employee experienced 2% lower EPS compared with their competition during that same time period.
- Gallup estimates that active disengagement costs the U.S. \$450 billion to \$550 billion per year.



MANAGERS AND LEADERS PLAY A CRITICAL ROLE

- Managers and executives emerged from the Great Recession with the most momentum in the workplace. More than one-third (36%) of managers and executives were engaged in 2012, up 10 percentage points from 2009. By contrast, professional workers overall saw a modest two-point increase in engagement levels from 2009 to 2012.
- Gallup has found that managers who focus on their employees' strengths can practically eliminate active disengagement and double the average of U.S. workers who are engaged nationwide.



DIFFERENT TYPES OF WORKERS NEED DIFFERENT ENGAGEMENT STRATEGIES

- The generations at the beginning and approaching the end of their careers tend to be more engaged than those in the middle of their careers, according to Gallup's research.
- Millennials are most likely of all generations to say they will leave their jobs in the next 12 months if the job market improves.
- Women have slightly higher overall engagement than men.
- Employees with a college degree are not as likely as those with less education to report having a positive, engaging workplace experience.

STATE OF THE AMERICAN WORKPLACE

EMPLOYEE ENGAGEMENT INSIGHTS FOR U.S. BUSINESS LEADERS



ENGAGEMENT HAS A GREATER IMPACT ON PERFORMANCE THAN CORPORATE POLICIES AND PERKS

- Although certain policies such as hours worked, flextime, and vacation time do relate to employee wellbeing, engagement levels in the work environment eclipse corporate policies.
- Despite not always having a manager nearby to monitor their productivity, remote workers actually log more hours at their primary job than do their on-site counterparts.
- Only 22% of U.S. employees are engaged *and* thriving. When employees are engaged and thriving in their overall lives, they are more likely to maintain strong work performance — even during difficult times.



EMPLOYEES ARE NOT PREPARED TO ENGAGE CUSTOMERS

- Only 41% of employees felt that they know what their company stands for and what makes its brand different from its competitors' brands.
- Engagement levels among service employees — those workers who are often on the front line serving customers — are among the lowest of any occupation Gallup measured and have declined in recent years, while engagement for every other job category increased.

WHAT COMPANIES CAN DO TO IMPROVE EMPLOYEE ENGAGEMENT

Use the right employee engagement survey. The employee engagement metrics companies use can affect their ability to create changes in performance. Often, organizations make the mistake of using employee surveys to collect data that are irrelevant or impossible to act on. When a company asks its employees for their opinions, they expect action to follow. Gallup's Q¹² employee engagement metric was designed with this expectation in mind — the data the Q¹² survey collects are specific, relevant, and actionable for any team at any organizational level, and they are proven to affect key performance metrics. Why? Because the Q¹² measures employees' *emotional* engagement, which ties directly to their level of discretionary effort — their willingness to go the extra mile for their company.

Focus on engagement at the enterprise and local levels. Transformation occurs at the local level, but it only happens when the tone is set from the top down. Companies realize the most benefit from engagement initiatives when leaders weave employee engagement into performance expectations for managers and enable them to execute on those expectations. Managers and employees must feel empowered by leadership to make a significant difference in their immediate environment.

Select the right managers. Whether hiring from the outside or promoting from within, organizations that scientifically select managers for the unique talents it takes to effectively manage people greatly increase the odds of engaging their employees. Instead of using management jobs as promotional prizes for all career paths, companies should treat these roles as unique with distinct functional demands that require a specific talent set. They should select managers with the right talents for supporting, positioning, empowering, and engaging their staff.

Coach managers and hold them accountable for their employees' engagement. Gallup's research has found that managers are primarily responsible for their employees' engagement levels. Organizations should coach managers to take an active role in building engagement plans with their employees, hold managers accountable, track their progress, and ensure they continuously focus on emotionally engaging their employees. Gallup's Great Workplace Award winners consistently make employee engagement part of their formal review process, and most use these improvements as a criterion for promotions.

Define engagement goals in realistic, everyday terms. While the overall organization may set lofty goals for engagement, leaders must make these objectives meaningful to employees' day-to-day experiences to bring engagement to life. Ensure that managers discuss employee engagement elements at weekly meetings, impact planning sessions, and in one-on-one sessions with employees to weave engagement into daily interactions and activities.

Find ways to connect with each employee. As this report clearly illustrates, each person has different needs and expectations regarding employee engagement. Managers should know that age, gender, tenure, and other variables all play a vital role in shaping a team member's workplace experience. Managers should also know that every interaction with an employee has the potential to influence his or her engagement and inspire discretionary effort.



U.S. WORKFORCE ENGAGEMENT STAGNANT

HOLDING BACK ECONOMY

Since the global recession of 2007-2009, the American workforce has struggled to adapt to the new economic climate's uncertainties in a period marked by sluggish growth, persistently high unemployment, and sharp spending cuts by businesses and consumers.

Despite the toll the Great Recession has taken on the economy, which was documented at length in Gallup's 2008-2010 State of the American Workplace report, Gallup found employee engagement levels holding steady among U.S. workers during that interval. This trend continued through the 2010-2012 period of Gallup's latest report. Gallup defines "engaged" employees as those who are involved in, enthusiastic about, and committed to their work and contribute to their organization in a positive manner.

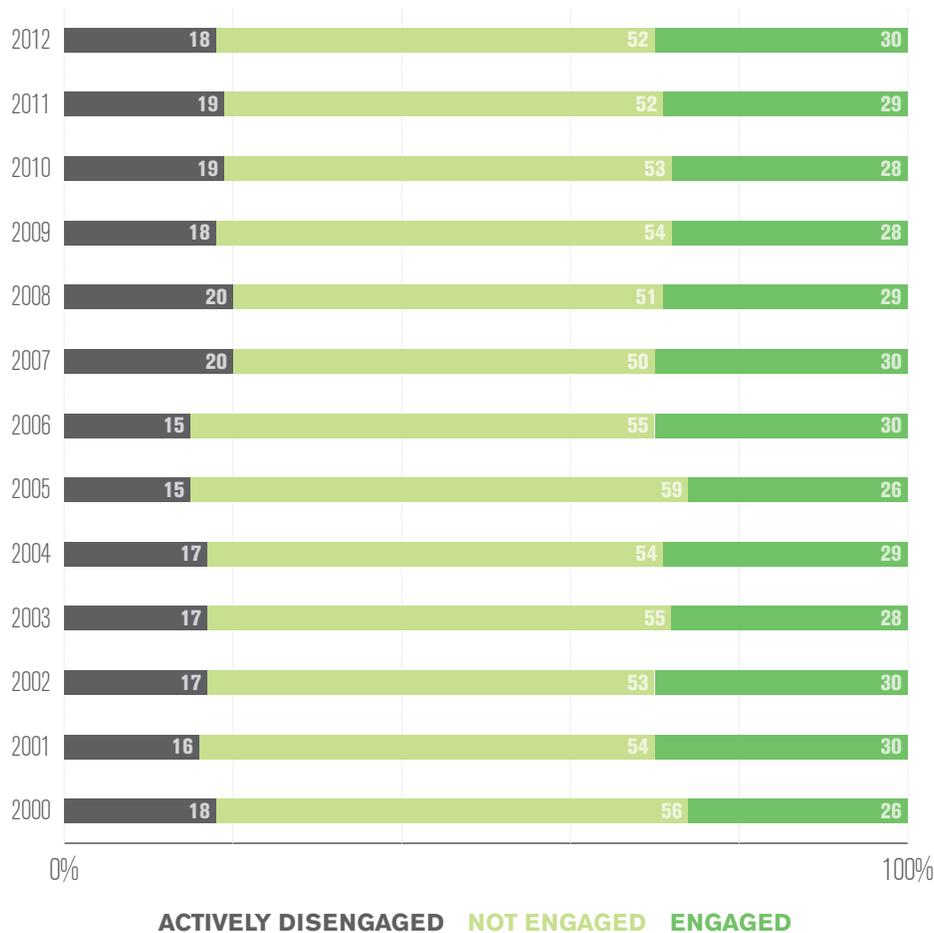
In 2010, 28% of American workers were engaged. By the end of 2012, as the U.S. inched toward a modest recovery, that number increased slightly to 30%, matching the all-time high since Gallup began tracking the employee engagement levels of the U.S. working population in 2000.

These latest findings indicate that 70% of American workers are "not engaged" or "actively disengaged" and are emotionally disconnected from their workplaces and less likely to be productive. Currently, 52% of workers are not engaged, and worse, another 18% are actively disengaged in their work. Gallup estimates that these actively disengaged employees cost the U.S. between \$450 billion to \$550 billion each year in lost productivity. They are more likely to steal

70%

**OF AMERICAN WORKERS
ARE "NOT ENGAGED" OR
"ACTIVELY DISENGAGED."**

EMPLOYEE ENGAGEMENT AMONG THE U.S. WORKING POPULATION

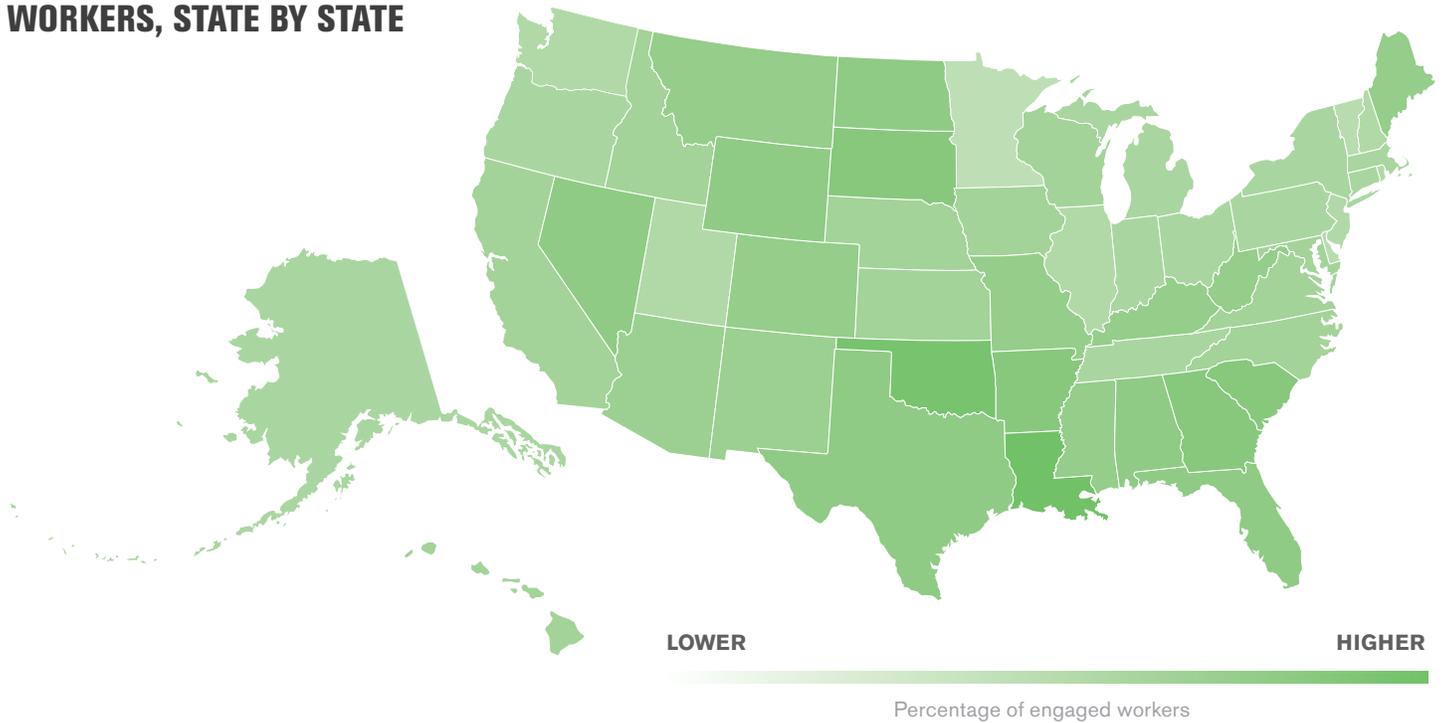


from their companies, negatively influence their coworkers, miss workdays, and drive customers away.

Having the vast majority of American employees not engaged with their workplaces is troublesome as the country attempts to recover ground lost during the financial crisis and get back on track to pre-recession levels of prosperity. Even more troubling is that workplace engagement levels have hardly budged since Gallup began measuring them in 2000, with fewer than one-third of Americans engaged in their jobs in any given year.

Gallup's extensive research shows that engagement is strongly connected to business outcomes essential to an organization's financial success, including productivity, profitability, and customer satisfaction. And engaged employees are the ones who are the most likely to drive the innovation, growth, and revenue that their companies desperately need. These engaged workers build new products and services, generate new ideas, create new customers, and ultimately help spur the economy to create more good jobs.

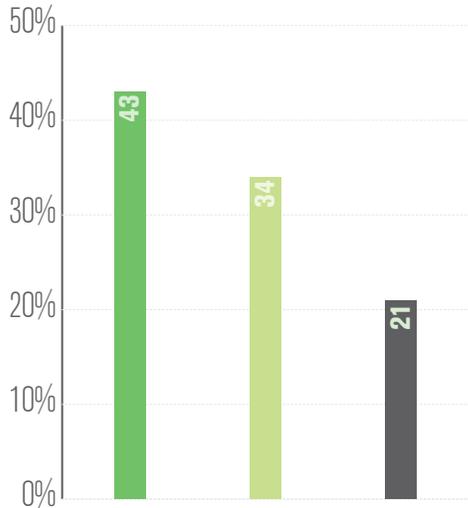
ENGAGEMENT AMONG WORKERS, STATE BY STATE



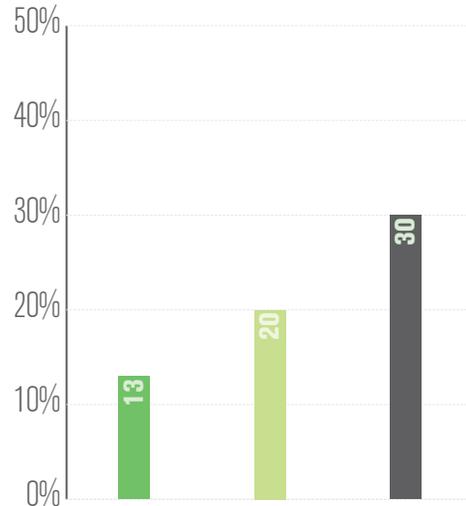
Although engagement has remained flat overall in the U.S., Gallup researchers found slight variation in engagement among workers state by state. Louisiana leads the country with the highest percentage of engaged workers, at 37%, followed closely by Oklahoma at 36%. South Dakota, Georgia, Arkansas, and South Carolina each have 34% of engaged workers. Thirty-three percent of workers are engaged in Texas, Nevada, Wyoming, Alabama, North Dakota, and Florida. At the far end of the range is Minnesota, which has the lowest number of engaged workers, at 26%.

Gallup found that at the opposite end of the engagement spectrum, more than one in five (21%) workers in Rhode Island are actively disengaged, as are 20% of employees in New Jersey, Connecticut, Pennsylvania, New York, Michigan, Vermont, Kentucky, and Illinois. When looking at the range of actively disengaged employees, Idaho had the lowest percentage of this type of worker, at 14%.

“ORGANIZATION IS HIRING”



“ORGANIZATION IS LETTING GO”



ENGAGED NOT ENGAGED ACTIVELY DISENGAGED

ENGAGED WORKERS REPORT TWICE AS MUCH JOB CREATION

The national unemployment rate has served as a key indicator of progress — or lack thereof — in what many economists have characterized as a “jobless recovery” after the recession years. Economists widely agree that the U.S. needs more jobs to bolster the country’s fragile economic recovery. In a recent study, Gallup found that engaged employees are twice as likely to report that their organization is hiring new workers as those who are actively disengaged. In contrast, those who are actively disengaged are nearly three times more likely than those who are engaged to report that their organization is shedding jobs. This is regardless of overall U.S. job creation holding steady during the survey period.

Gallup researchers surmise that job creation partially may be a by product of the economic climate as a whole, but it is also likely a function of a business’ own success, driven by its workplace environment, performance, and leadership.

How leaders manage their employees can substantially affect engagement levels in the workplace, in turn influencing the company’s bottom line. Gallup’s analysis suggests that the most successful organizations effectively engage their employees, leading to higher productivity and better financial outcomes. These organizations appear to move the job market in the right direction.

By comparison, workplaces that disengage their workers suffer from lower productivity, are less likely to create new jobs, and are more likely to be reducing their workforce.

These findings suggest a link between engagement and job creation. And if American companies do not find a way to engage more of their workers, they will struggle to create more jobs, making it difficult for the U.S. to achieve real, sustainable economic growth in the near future. **G**



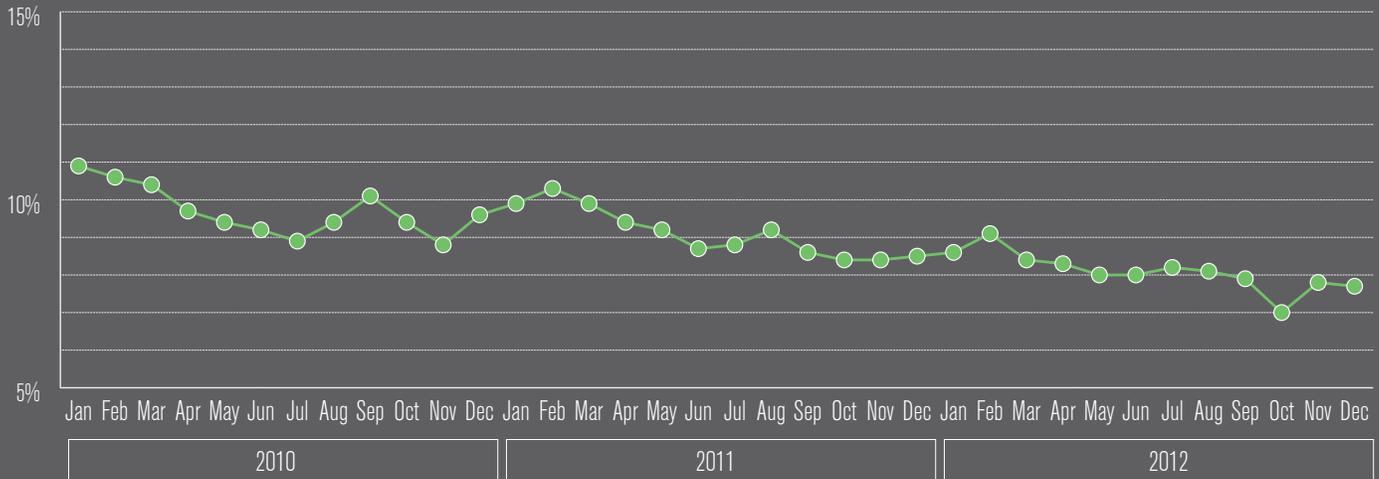
A CLOSER LOOK AT UNEMPLOYMENT IN THE U.S., 2010-2012

In reviewing the state of the U.S. workplace, it is important to consider the broader impact of unemployment on the country's workforce. Gallup's unemployment rate averaged 9% from 2010-2012. It peaked at 10.9% in January 2010 and remained above 10% for three consecutive months through March of that year. The lowest unemployment level Gallup measured during this period was in October 2012 when it dipped to 7%, likely as a result of seasonal holiday hiring, although it quickly bounced back up to 7.8% a month later. While Gallup did not begin tracking unemployment until 2010, according to the U.S. Bureau of Labor Statistics (BLS), the pre-recession unemployment rate was 5% in late 2007 and had remained more or less stable at that rate for 30 months.

Gallup measures unemployment in a method similar to what the BLS uses; however, Gallup does not seasonally adjust its unemployment metric and it reflects daily interviewing. The BLS, on the other hand, collects and analyzes data for one week of each month and adjusts the data according to seasonal trends. As Gallup began tracking daily unemployment numbers during recovery from the recent economic downturn, it became clear that this conventional unemployment metric only told part of the story.

To fully understand the economic backdrop of this recovery period, Gallup developed a Payroll to Population (P2P) rate and an "underemployment" rate. P2P measures the percentage of the U.S. adult population aged 18 and older who are employed full time by an employer for at least 30 hours per week. Gallup's underemployment rate measures the combined percentage of U.S. adults who are unemployed *in the workforce* with the percentage of those who are working part time but looking for full-time work. These measures are unique to Gallup and paint a more complete picture of the U.S. employment situation than can the unemployment rate alone.

GALLUP UNEMPLOYMENT RATE TREND, 2010-2012



Unlike unemployment rates, which can actually *improve* if people drop out of the workforce, P2P is a true reflection of the labor force. P2P is also highly correlated with GDP per capita and wellbeing. Gallup tracked the country's highest P2P rate from the 2010-2012 period in October 2012 at 45.7%. The lowest reading of 41.7% came in February 2011. The overall average for this period

was 43.8%, although by December 2012 the P2P rate was up to 44.4%. Similar to other employment metrics, P2P is subject to seasonal hiring fluctuations, but in general, P2P has improved since 2010, and many months in 2012 saw month-over-month improvements. The employment situation seems to be steadily improving, though it is still in a fragile state. **G**

GALLUP PAYROLL TO POPULATION RATE TREND, 2010-2012





HOW GALLUP MEASURES EMPLOYEE ENGAGEMENT

Gallup measures employee engagement based on workers' responses to its Q¹² survey, which consists of 12 actionable workplace elements with proven links to performance outcomes. To identify these elements, Gallup spent years conducting thousands of interviews at every level of various organizations, in most industries, and in several countries. Since Gallup finalized the Q¹² question wording in the late 1990s, the survey has been administered to more than 25 million employees in 189 different countries and 69 languages. The following items are the ones that emerged from Gallup's pioneering research as the best predictors of employee and workgroup performance.

GALLUP'S Q¹²[®]

01

I know what is expected of me at work.

02

I have the materials and equipment I need to do my work right.

03

At work, I have the opportunity to do what I do best every day.

04

In the last seven days, I have received recognition or praise for doing good work.

05

My supervisor, or someone at work, seems to care about me as a person.

06

There is someone at work who encourages my development.

07

At work, my opinions seem to count.

08

The mission or purpose of my company makes me feel my job is important.

09

My associates or fellow employees are committed to doing quality work.

10

I have a best friend at work.

11

In the last six months, someone at work has talked to me about my progress.

12

This last year, I have had opportunities at work to learn and grow.

**SINCE THE Q¹² QUESTION WORDING WAS
FINALIZED IN THE LATE 1990s, THE SURVEY
HAS BEEN ADMINISTERED TO MORE THAN**

25M

EMPLOYEES IN

189

DIFFERENT COUNTRIES AND

69

LANGUAGES

FOUR STAGES OF EMPLOYEE ENGAGEMENT

In addition to discovering the 12 items, Gallup also found that the order of the items is important. The 12 items represent the four stages of a hierarchy that an employee goes through on the path to complete engagement. Items 1 and 2 represent employees' primary needs. When employees start a new role, their needs are basic. They ask, "What do I get from this role?"

In the second stage, encompassing items 3 through 6, employees think about their own individual contributions and consider how others view and value their efforts. Manager support is most important here because managers typically define perceptions of value.

Once employees advance through the first two stages of the hierarchy, their perspective begins to widen and they evaluate their connection to the team and the organization. In the third stage, encompassing items 7 through 10, employees ask themselves, "Do I belong?" Then, during the fourth and most advanced stage, composed of items 11 and 12, employees want to make improvements, learn, grow, innovate, and apply their new ideas.

The four stages help managers evaluate workgroup performance and concentrate their efforts on areas most relevant to where their team is at on the journey to complete engagement.

ENGAGEMENT CATEGORIES

1 Engaged employees work with passion and feel a profound connection to their company.

They drive innovation and move the organization forward.

2 Not Engaged employees are essentially “checked out.” They’re sleepwalking through their workday, putting time — but not energy or passion — into their work.

3 Actively Disengaged employees aren’t just unhappy at work; they’re busy acting out their unhappiness.

Every day, these workers undermine what their engaged coworkers accomplish.

THREE TYPES OF EMPLOYEES

Based on employees’ responses to the 12 items, Gallup groups them into one of three categories: engaged, not engaged, and actively disengaged.

Not engaged workers can be difficult to spot: They are not hostile or disruptive. They show up and kill time with little or no concern about customers, productivity, profitability, waste, safety, mission and purpose of the teams, or developing customers. They are thinking about lunch or their next break. They are essentially “checked out.” Surprisingly, these people are not only a part of your support staff or sales team, but they are also sitting on your executive committee.

Actively disengaged employees are more or less out to damage their company. They monopolize managers’ time; have more on-the-job accidents; account for more quality defects; contribute to “shrinkage,” as theft is called; are sicker; miss more days; and quit at a higher rate than engaged employees do. Whatever the engaged do — such as solving problems, innovating, and creating new customers — the actively disengaged try to undo.

On the other hand, engaged employees are the best colleagues. They cooperate to build an organization, institution, or agency, and they are behind everything good that happens there. These employees are involved in, enthusiastic about, and committed to their work. They know the scope of their jobs and look for new and better ways to achieve outcomes. They are 100% psychologically committed to their work. And, they are the only people in an organization who create new customers.

By consistently tracking Q¹² results from year to year and developing the right data-based interventions to promote growth, employers will ensure that their workforce is meeting its potential and maximizing its performance outcomes.

TAKING EMPLOYEE ENGAGEMENT TO THE NEXT LEVEL

After a baseline reading of an organization's employee engagement level following the first company wide Q¹² administration, Gallup provides customized tools and analysis to help leaders take the necessary next steps. After all, measurement without targeted action is useless. Moreover, if employers do not follow up on engagement results, employees' disengagement may actually increase. By consistently tracking Q¹² results from year to year and developing the right data-based interventions to promote growth, employers will ensure that their workforce is meeting its potential and maximizing its performance outcomes.

In addition, Gallup has researched and developed empirical indexes to help organizations strategically pinpoint and improve specific areas of focus that are important to their current situation. By using one or more of these indexes in conjunction with the Q¹² metric, leaders have another tool with which to capture more of their organization's engagement story. These indexes include:

- Accountability
- Brand Ambassador
- Change Management
- Collaboration
- Communication
- Customer Orientation
- Ethics
- Hope
- Inclusiveness
- Innovation
- Leadership
- Nursing
- Patient Experience
- Strengths Orientation
- Supervisor Effectiveness
- Values
- Wellbeing Culture
- World Class

Gallup has also researched more than 70 topic areas that address the wide range of issues organizations confront. Beyond asking the right questions, leaders must also have focused discussions during which data-driven decisions can occur. In-depth strategy sessions for leaders and managers are available for each index to help optimize company performance on specific business issues. Together, these indexes and interventions provide a flexible, targeted approach to addressing any organization's specific engagement needs.

THE POWER OF ENGAGEMENT

Leaders often say that their organization's greatest asset is its people — but in reality, this is only true when those employees are fully engaged in their jobs. Engaged workers stand apart from their not engaged and actively disengaged counterparts because of the discretionary effort they consistently bring to their roles day after day. These employees willingly go the extra mile because of their strong emotional connection to their organization. Reaching this unique state goes beyond having a merely satisfactory experience at work to one of 100% psychological commitment. Any employee can achieve this state in an engaging workplace, but leaders can only be sure they are creating and maintaining this type of environment if they actively measure and manage the true drivers of engagement. Gallup created and continues to test the Q¹² metric to help organizations harness the power of engaged employees in the most efficient and actionable way possible. 

**“MEASUREMENT
WITHOUT
TARGETED ACTION
IS
USELESS.”**



HOW EMPLOYEE ENGAGEMENT DRIVES GROWTH

Although measuring employee engagement is an increasingly common practice in the business world, Gallup's Q¹² employee engagement metric is distinct in that it is backed by rigorous science linking it to nine integral performance outcomes. Gallup administers the Q¹² to workers in various companies, nonprofits, and other organizations worldwide in an effort to help its clients improve their employee engagement. Meanwhile, Gallup researchers continually study findings from research on the Q¹² to learn more about employee engagement's impact on organizational and team performance.

THE Q¹² PREDICTS KEY PERFORMANCE OUTCOMES

Every two to four years Gallup completes meta-analysis research — a statistical technique that pools multiple studies — on the Q¹². By conducting this research regularly over time and increasing the number of business units analyzed, Gallup stays on the cutting edge of how well employee engagement predicts key performance outcomes. When sample sizes allow, Gallup establishes links to new outcomes that companies can measure and manage to drive organizational

In short, the 2012 meta-analysis once again verified that employee engagement relates to each of the nine performance outcomes studied. Additionally, Gallup continues to find that the strong correlations between engagement and the nine outcomes studied are highly consistent across different organizations from diverse industries and regions of the world.

performance through employee engagement. Gallup knows of no other company that backs its employee engagement survey with such extensive research.

In 2012, Gallup conducted its eighth meta-analysis on the Q¹² using 263 research studies across 192 organizations in 49 industries and 34 countries. Within each study, Gallup researchers statistically calculated the business/work unit level relationship between employee engagement and performance outcomes that the organization supplied. Researchers studied 49,928 business/work units, including nearly 1.4 million employees. This eighth iteration of the meta-analysis further confirmed the well-established connection between employee engagement and nine performance outcomes:

- customer ratings
- profitability
- productivity
- turnover (for high- and low-turnover organizations)
- safety incidents
- shrinkage (theft)
- absenteeism
- patient safety incidences
- quality (defects)

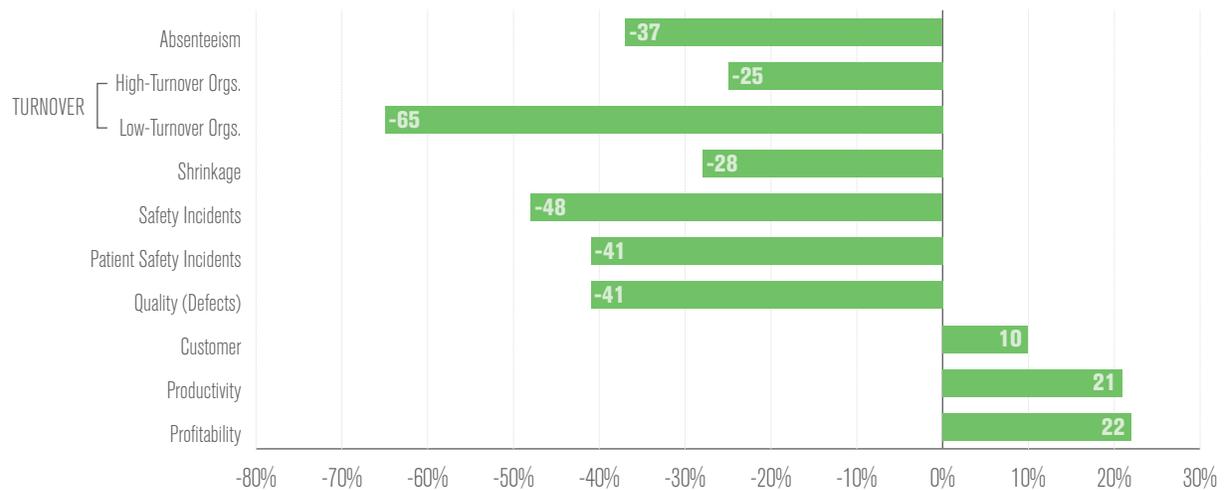
Given the timing of the eighth iteration of this study, it also confirmed that employee engagement continues to be an important predictor of organizational performance even in a challenging economy. Gallup researchers studied the differences in performance between engaged and actively disengaged business/work units and found that those scoring in the top half on employee engagement nearly doubled their odds of success compared with those in the bottom half. Those at the 99th percentile had four times the success rate of those at the first percentile.

Median differences between top-quartile and bottom-quartile units were 10% in customer ratings, 22% in profitability, 21% in productivity, 25% in turnover (high-turnover organizations), 65% in turnover (low-turnover organizations), 48% in safety incidents, 28% in shrinkage, 37% in absenteeism, 41% in patient safety incidents, and 41% in quality (defects).

In short, the 2012 meta-analysis once again verified that employee engagement relates to each of the nine performance outcomes studied. Additionally, Gallup continues to find that the strong correlations between engagement and the nine outcomes studied are highly consistent across different organizations from diverse industries and regions of the world.

ENGAGEMENT'S EFFECT ON KEY PERFORMANCE INDICATORS

Median outcomes between top- and bottom-quartile teams



INCREASED ENGAGEMENT LEADS TO HIGHER EARNINGS PER SHARE

Gallup's research also shows that companies with engaged workforces have higher earnings per share (EPS) and seem to have recovered from the recession at a faster rate. In a recent study, Gallup examined 49 publicly traded companies with EPS data available from 2008-2012 and Q¹² data available from 2010 and/or 2011 in its database and found that organizations with a critical mass of engaged employees outperformed their competition, compared with those that did not maximize their employees' potential.

In fact, researchers discovered that as the economy began to rebound after 2009, having an engaged workforce became a strong differentiator in EPS. Companies with engaged workforces seemed to have an advantage in regaining and growing EPS at a faster rate than their industry equivalents. Conversely, those organizations with average engagement levels saw no increased advantage over their competitors in the economic recovery.

Organizations with an average of 9.3 engaged employees for every actively disengaged employee in 2010-2011 experienced 147% higher EPS compared with their competition in 2011-2012. In contrast, those with an average of 2.6 engaged employees for every actively disengaged employee experienced 2% lower EPS compared with their competition during that same time period.

MEASURING WHAT MATTERS

Joseph Juran, a noted management expert, said, "Without a standard there is no logical basis for making a decision or taking action." Most organizations understand this to some degree; however, many persist in measuring performance by the *wrong* standard — using unsubstantiated or ineffective metrics that ultimately lead nowhere. When leaders work with Gallup to measure and manage employee engagement at their companies, they can be confident that the Q¹² is backed by years of empirical research and used by some of the world's leading organizations.

Factors such as EPS, profitability, productivity, and customer ratings are all key indicators in determining an organization's health and its potential for growth. For leaders who are responsible for these outcomes, the research plainly shows that the Q¹² is more than just another human resources initiative; it is the best measurement tool for initiating companywide transformation to create sustainable growth. By intentionally focusing on measuring and managing employee engagement using Gallup's Q¹² metric, companies gain a competitive advantage that keeps them moving forward. Research shows concentrating on employee engagement can help them withstand — and possibly even thrive — in challenging economic times. 



WORKPLACE PERKS NO SUBSTITUTE FOR ENGAGEMENT

In the intense competition to attract and retain top talent, some U.S. employers are vying with one another to offer the most alluring perks imaginable to their workers. Companies like Google are leading the trend, based on the thought that happy employees are more productive, creative, and passionate. On the surface, it is hard to argue with this approach: Who wouldn't be happier if a day at the office included a free lunch, a siesta in the nap room, or even a massage?

But in an era of corporate belt-tightening and austerity measures, the big question is whether it pays to invest in employees' happiness, without a clear return on investment. After all, not every organization has the budget to lavish its employees with such largesse. However, most employers do offer benefits, albeit more modest ones, in the form of workplace policies covering vacation time, flextime, and hours expectations. Gallup recently studied the relationship between these workplace policies and employees' performance and wellbeing and found that indulging employees is no substitute for engaging them.

EMPLOYEE SATISFACTION IS NOT ENOUGH

Gallup research shows that while keeping employees happy or satisfied is a worthy goal that can help build a more positive workplace, simply measuring workers' satisfaction or happiness levels is insufficient to create sustainable change, retain top performers, and positively affect the bottom line. Satisfied or happy employees are not necessarily engaged employees. Engaged employees have well-defined roles in the organization, make strong contributions, are actively connected to their larger team and organization, and are continuously progressing.

By shifting the focus to employee engagement, organizations are more likely to motivate their workers to expend discretionary effort and reach their performance objectives. Gallup research has linked employee engagement to nine specific business outcomes such as higher productivity, profitability, and customer ratings that directly affect or reflect the bottom line.

ENGAGEMENT ECLIPSES WORKPLACE INCENTIVES

According to Gallup research, workplace engagement levels eclipse the effect of policies such as hours expectations, flextime, and vacation time when it comes to employees' wellbeing. For instance, engaged employees who took less than one week off from work in a year had 25% higher overall wellbeing than actively disengaged associates — even the ones who took six weeks or more of vacation time. (To learn more about the link between engagement and wellbeing, see page 50.)

Of the workplace benefits Gallup studied, flextime yielded the strongest relationship to overall wellbeing among employees. Engaged employees with a lot of flextime had 44% higher wellbeing than actively disengaged employees with very little to no flextime. Among employees who were not engaged or actively disengaged, those who reported having flextime also had higher overall wellbeing compared with those with very little or no flextime. But the upshot is that the study showed that an engaging workplace increases the odds of higher wellbeing, regardless of policy or incentive.

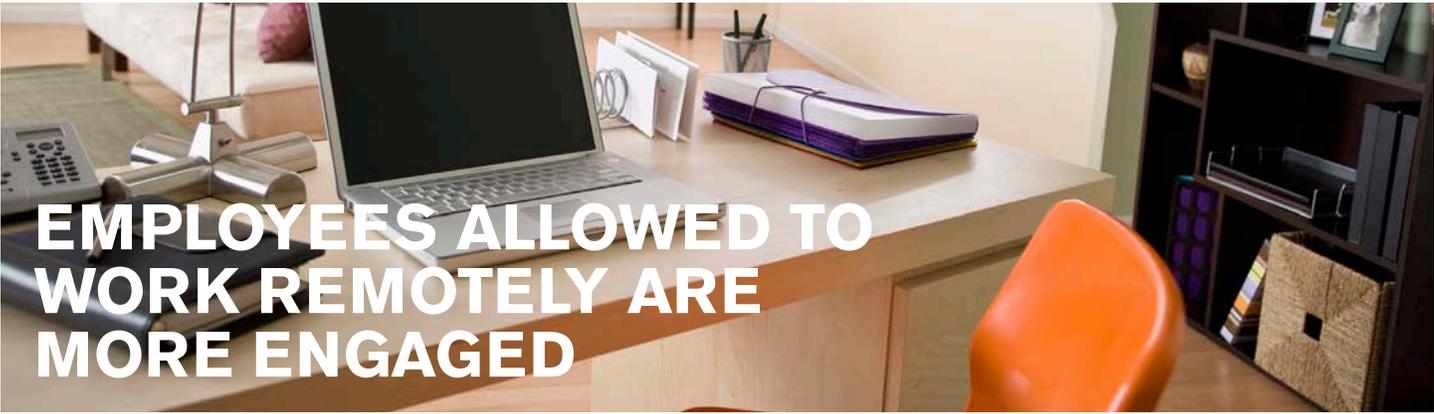
Employee engagement matters most, and fewer hours worked with more vacation days and flextime cannot fully offset the negative effects of a disengaging workplace on wellbeing. In fact, Gallup has found that higher engagement levels can insulate employees from everything from a significant downturn in mood on Monday mornings to high stress levels typically resulting from long commutes.

Generous workplace incentives and employee-friendly policies are making headlines these days, as organizations seek to up the ante to attract top talent in their fields. While no one would argue that these efforts have the potential to improve employees' lives, Gallup has found that engagement has a greater effect on workers' wellbeing than any of the benefits it studied. At the end of the day, an intrinsic connection to one's work and one's company is what truly drives performance, inspires discretionary effort, and improves wellbeing. If these basic needs are not fulfilled, then even the most extravagant perks will be little more than window dressing. 

**ENGAGED EMPLOYEES
WITH A LOT OF
FLEXTIME HAD**

44%

**HIGHER WELLBEING
THAN ACTIVELY
DISENGAGED
EMPLOYEES WITH
VERY LITTLE TO NO
FLEXTIME.**



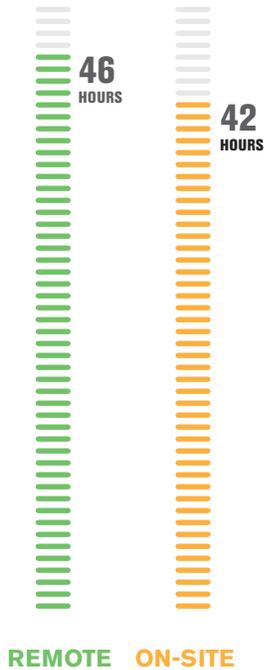
A popular workplace trend — working remotely — has garnered headlines with Yahoo’s CEO requiring its remote workers to return to the office. The company made the point that employees working from home have fewer chances to collaborate with coworkers. While this may be true, Gallup found that companies that offer the opportunity to work remotely might have some advantages when it comes to employee engagement.

However, not every employer has embraced this trend, and in some workplaces, working remotely may not be feasible. To learn more, Gallup used the following questions to determine which workers could be classified as remote workers:

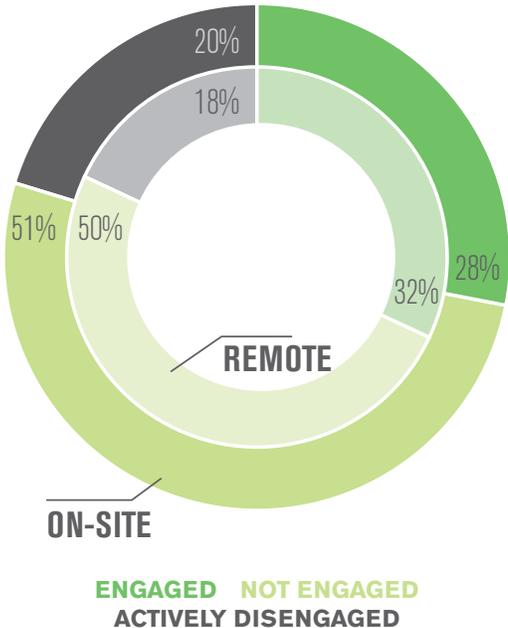
- In a typical week, approximately how many hours do you spend at your primary job?
- Is any of this time spent remotely or in a location different from your coworkers?

Based on these criteria, Gallup found that nearly four in 10 (39%) of the employees surveyed spend some amount of time working remotely or in locations apart from their coworkers.

REMOTE WORKERS LOG MORE HOURS



REMOTE WORKERS MORE ENGAGED



REMOTE WORKERS LOG MORE HOURS, ARE SLIGHTLY MORE ENGAGED

Although they may not always have a manager nearby to monitor their productivity, remote workers log more hours at their primary job than do their counterparts who work on-site. Remote workers log an average of four more hours per week than their on-site counterparts.

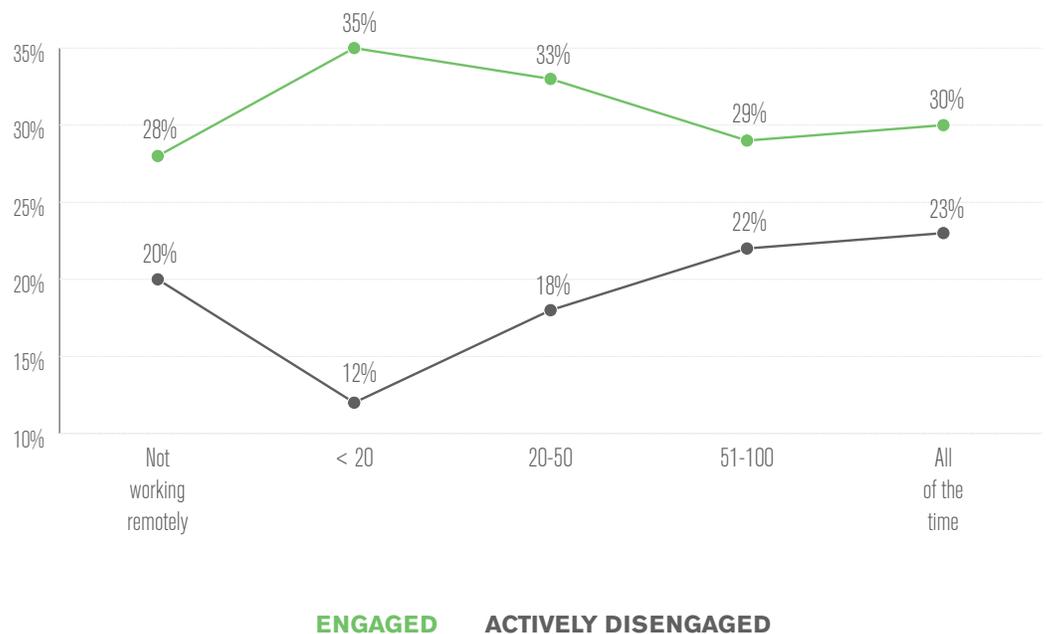
Despite working longer hours, working remotely seems to have a slightly positive effect on workers’ employee engagement levels. Gallup found that these workers are slightly more engaged (32%) than employees who work on-site (28%).

However, there is a point of diminishing returns for engaging remote workers. Those who spend less than 20% of their time working remotely are the most engaged, at 35%, and they have the lowest active disengagement, at 12%. These employees likely enjoy an ideal balance of both worlds — the opportunities for collaboration and camaraderie with coworkers at the office and the relative

sense of freedom that comes from working remotely. By contrast, those who spend more than half of their time or all of their time working remotely have similar engagement to employees who do not work remotely.

On-site workers score higher than remote workers do on the “best friend” item on the Q¹², suggesting that remote workers may miss important social and collaborative opportunities that are integral to engagement and wellbeing. On the other hand, remote workers give higher scores on “opinion seems to count” and “mission and purpose” engagement items, which are typically associated with a sense of belonging. This seems to indicate that remote workers may feel *more* connected to their companies, despite the physical distance between themselves and their workplace and colleagues. This intrinsic sense of connection to their organizations may help explain why these employees have slightly higher engagement and work more hours, even without the direct supervision and positive social interactions inherent in a more traditional workplace setting. 

THOSE WHO SPEND LESS THAN 20% OF THEIR WORKING TIME REMOTELY ARE MOST ENGAGED

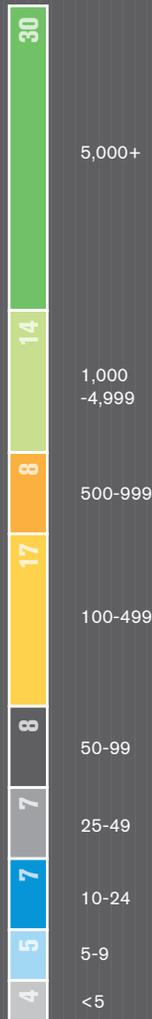


MAGIC NUMBERS:

HOW ORGANIZATION SIZE AND TEAM SIZE AFFECT ENGAGEMENT

WHAT IS THE TOTAL NUMBER OF EMPLOYEES IN YOUR COMPANY/ ORGANIZATION?

Percentage of workforce



When Gallup examined engagement by company size, it found the highest employee engagement level by far (42%) in companies with fewer than 10 people, suggesting something unique and beneficial about working in a smaller, tight-knit work environment when it comes to engagement. Unfortunately, with 9% of U.S. employees working for companies of this size, few benefit from this advantage.

A slight majority of Americans (52%) work in organizations of 500 employees or more, while fewer than four in 10 (39%) work in companies with 10 to less than 500 employees, according to Gallup's findings. Across the size categories for larger organizations, engagement levels more closely mimic the national averages, ranging between 27% and 30%. The exception to this, however, is organizations with 500 to 999 employees. Organizations of this size had slightly higher engagement, at 34%.

The finding that companies with fewer than 10 people have significantly higher engagement may be closely linked to another of Gallup's discoveries: Teams with five to nine employees have relatively higher engagement compared with teams of 10 or more employees. Engagement tends to be lower for teams of more than 10, suggesting managers with larger teams have a bigger challenge when it comes to engaging their employees. **G**

ENGAGEMENT, BY COMPANY SIZE





DIFFERENT TYPES OF WORKERS DEMAND DIFFERENT ENGAGEMENT STRATEGIES

One of the key findings from Gallup's Q¹² meta-analysis and other research is that employee engagement can vary substantially from organization to organization and workgroup to workgroup. Extensive studies and analysis show that these differences are based on variables such as type of industry and occupation. Even highly personal attributes — such as an employee's length of service at his or her company and his or her age, education level, and gender — relate to engagement when studied at an aggregate level.

Gallup has explored employee engagement by various segments and analyzed results to help employers create innovative ways to meet their workers where they are. The findings in this section reflect studies Gallup conducted between 2010 and 2012 with various samples of the U.S. population. Taken together, the results provide a snapshot of the rich diversity found in workplaces across the nation. The challenge for leaders is to recognize and use this diversity as a source of strength — rather than division — in their workplaces.

AFTER RECESSION, MANAGERS LEAD OTHER OCCUPATIONS IN ENGAGEMENT

When looking at employee engagement through the lens of occupation or job category, managers and executives clearly emerged from the Great Recession with the most momentum in the workplace. More than one-third (36%) of managers and executives were engaged in their jobs in 2012, up 10 percentage points from 2009. The improvement in engagement among this group may indicate that these workers felt motivated and empowered as they rose to the challenges of leading during a period of economic turmoil. It may also reflect a higher level of job security for these workers compared with their nonmanagerial counterparts. Whatever the reason, improved engagement among managers is a hopeful sign for economic recovery because Gallup has found that they have the strongest influence in successfully engaging their employees.

Gallup also finds professional workers at the higher end of the employee engagement spectrum, possibly because these jobs are more likely to reflect workers' talents and interests. Healthcare professionals are slightly more engaged than other professionals. Notably, far fewer physicians are actively disengaged than any other category of workers. Teachers' engagement levels are similar to those of other professional workers. Overall, professional workers saw a modest two-point increase in engagement levels from 2009 to 2012.

Employees in manufacturing or production are the least engaged, possibly because the traditional management mentality in these

industries tends to put process ahead of people. Still, engagement among employees in this industry increased by six points since 2009. Workplace engagement is similarly low for transportation workers, but with a four-point increase over the past three years.

In contrast to the strong gains made by managers and executives, service workers — a category including mostly customer-facing jobs — saw the only drop in engagement levels, down by three points from 32% in 2009 to 29% in 2012. Flat consumer spending since 2008 has likely reduced growth opportunities in this industry, and some may be working in this sector out of necessity rather than choice, unable to maximize their talents and qualifications in a tight job market.

The results of this study indicate that organizations in certain industries may have more of an uphill battle than others do when it comes to engaging their employees. But, being in a sector with traditionally low employee engagement does not necessarily doom a company to failure. Nor should an organization in an industry that tends to have higher employee engagement get too complacent. Gallup's Q¹² Client Database contains wide-ranging tales of success in every industry. The bottom line is that there is a proven relationship between employees' workplace engagement and their respective companies' overall performance. Persistent, targeted attention to engagement at the enterprise and workgroup levels can lead to growth, no matter what industry an organization is in.

	ENGAGED 2009	ENGAGED 2012	NOT ENGAGED 2012	ACTIVELY DISENGAGED 2012
Managers, executives, and officials	26%	36%	51%	13%
Professional workers: physicians	*	34%	57%	9%
Professional workers: nurses	*	33%	52%	15%
Professional workers: teachers	*	31%	56%	13%
Professional workers: other categories except physicians, nurses, and teachers	*	30%	55%	15%
Clerical or office workers	27%	30%	51%	19%
Construction or mining workers	29%	30%	52%	18%
Government worker	28%	29%	53%	18%
Sales workers	24%	29%	51%	20%
Installation or repair workers	25%	29%	51%	20%
Service workers	32%	29%	50%	22%
Transportation workers	21%	25%	47%	28%
Manufacturing or production workers	18%	24%	50%	26%

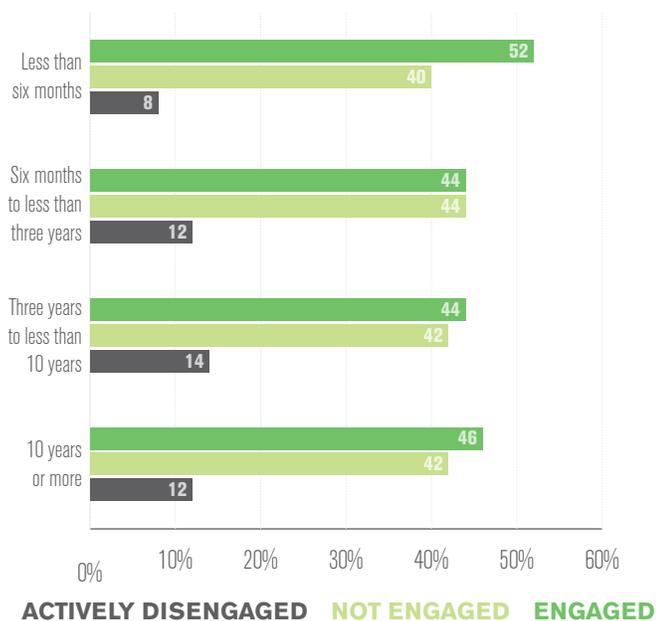
*Sample sizes too small in 2009 for comparison.

KEEP ENGAGING EMPLOYEES AFTER THE “HONEYMOON PERIOD”

When Gallup studied engagement by employees’ length of service with their company, the research revealed that workers are typically more engaged in their first six months on the job than they will be at any other stage in their employment with that company. Although engagement peaks during this early period, only half (52%) of employees are engaged at this point, suggesting that there may be room for improvement in most companies’ onboarding processes.

Still, the relatively high engagement levels of workers with tenure of less than six months may reflect a “honeymoon” effect in which employees’ initial excitement about being a part of their new organization counteracts any preliminary negative impressions. However, while these new employees might feel positively about expectations and opportunities to learn and grow, they may be less likely to have a best friend at work, to believe their opinions count, or feel their contributions are recognized. These are some specific Q¹² items companies could target with new employees to increase their overall engagement.

ENGAGEMENT LEVELS, BY TENURE



Following the initial six months, employee engagement dips significantly to 44% for workers under the 10-year mark. From there, engagement tends to remain mostly flat for the duration of a typical employee’s career.

ENGAGEMENT HIGHER FOR MANAGERS AND EXECUTIVES AT MOST TENURE LEVELS

While studying the relationship between tenure and engagement, Gallup researchers also examined engagement over time for those in leadership or management roles. When comparing managers with nonmanagers, both groups begin with the same engagement levels during their first six months. Shortly thereafter, though, the gap begins to widen, and after 10 years, managers’ engagement levels are significantly higher than those of nonmanagers — 57% vs. 44%, respectively.

At the executive level, leaders start 10 percentage points more engaged than employees in other positions do (63% vs. 53%). The engagement advantage of executive leaders diminishes somewhat between six months and 10 years of tenure, but it increases to a 10-point advantage over the rest of the employee population by the 10-year mark (56% to 46%, respectively).

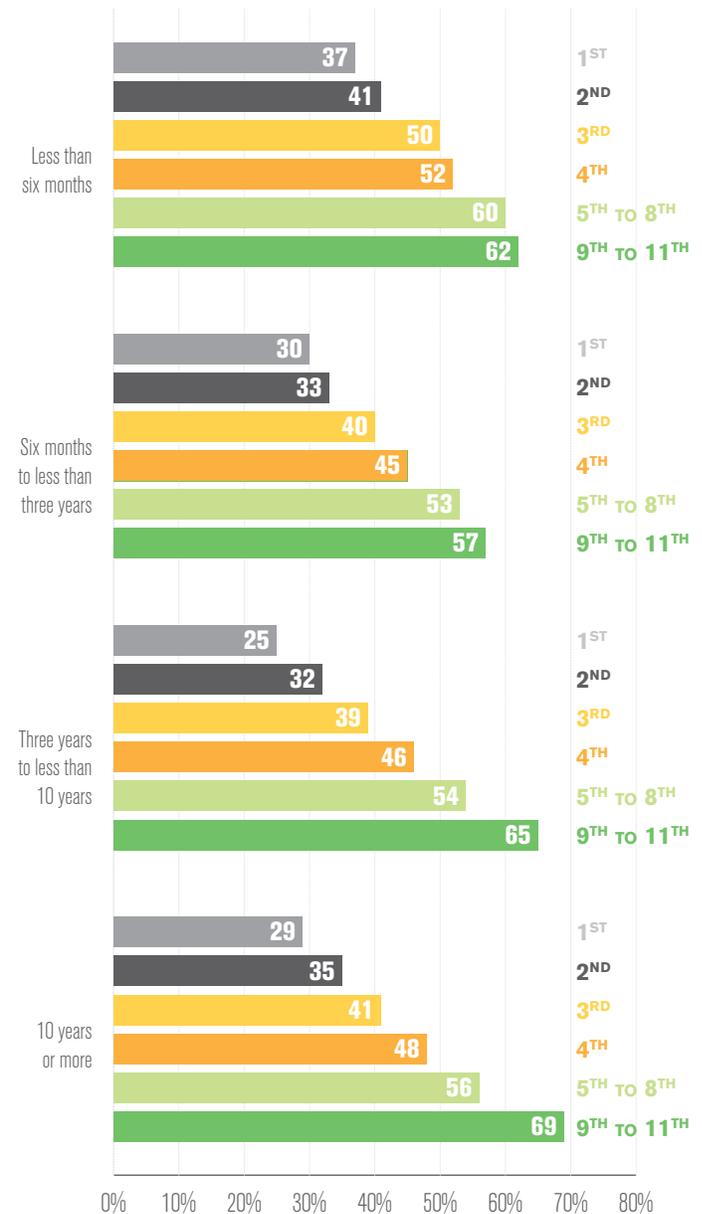
Higher levels of engagement at the managerial and executive levels are encouraging signs for the state of America’s workplaces, whether viewed through the lens of occupation or tenure. Gallup has consistently found that leaders play the most significant role in driving employee engagement, so a greater effort made to engage more managers at every tenure level may hold the key to jump-starting workplace engagement nationwide.

USING THE Q¹² PROCESS INCREASES ENGAGEMENT OVER TIME

Gallup’s research also reveals consistent improvements at all levels of service as the result of repeated administrations of the Q¹² metric. Further, those with the longest tenure seem to benefit the most: Employees with 10 years or more at their company show the strongest gains and the highest percentage of engagement over time, a welcome contrast to the flat-lining that happens to a typical employee’s engagement after 10 years of service.

Regardless of whether a company has been using the Q¹² metric for years or is just starting the journey and introducing the concept to employees for the first time, Gallup found that engagement increases at all levels of tenure as employees continue to participate in focused initiatives to improve their engagement. This confirms that no matter how long an employee has been with the company, workgroup- and enterprise-level efforts to improve engagement pay off over time.

ENGAGEMENT, BY TENURE AND Q¹² ADMINISTRATION



ENGAGEMENT INCREASES AT ALL LEVELS OF TENURE AS EMPLOYEES CONTINUE TO PARTICIPATE IN FOCUSED INITIATIVES TO IMPROVE THEIR ENGAGEMENT.

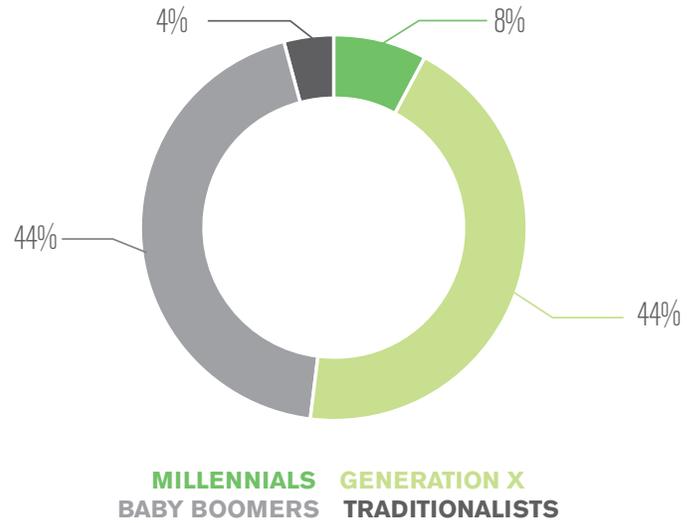
LEAST ENGAGED GENERATIONS: BABY BOOMERS AND GEN X

Generations near the beginning and approaching the end of their careers tend to be more engaged than those in the middle, according to Gallup's research. Employers would be wise to find ways to boost engagement in those in the middle generations, as they comprise 88% of today's workforce.

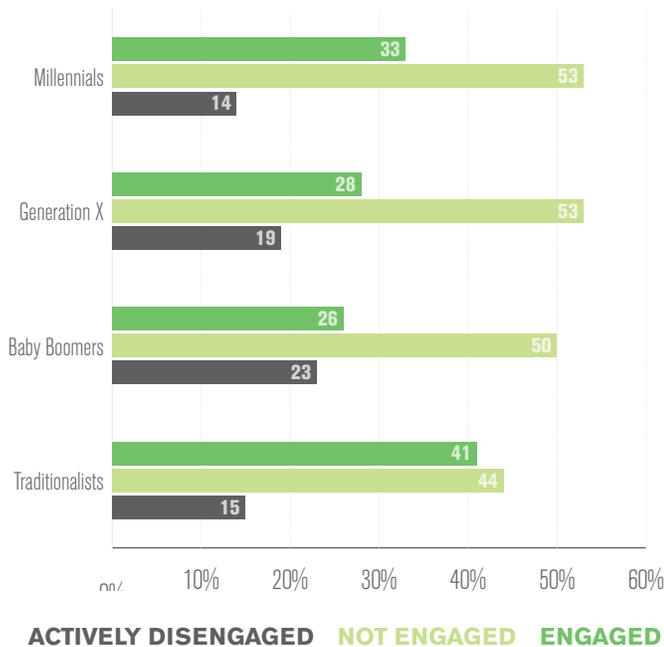
Traditionalists, who represent 4% of the working population in 2012, have the highest level of engagement at 41%, followed by 33% for Millennials, who comprise 8% of 2012's working population. Of those in Generation X, 28% are engaged, compared with 26% of Baby Boomers.

Baby Boomers have the lowest level of engagement, and they have the highest level of active disengagement — nearly one in four are actively disengaged. Because this generation makes up such a large part of the working population, and many may be in the workforce long past the traditional retirement age, a targeted effort to raise these workers' engagement levels could have important ramifications for companies and the overall U.S. economy.

PERCENTAGE OF EACH GENERATION IN TODAY'S WORKFORCE



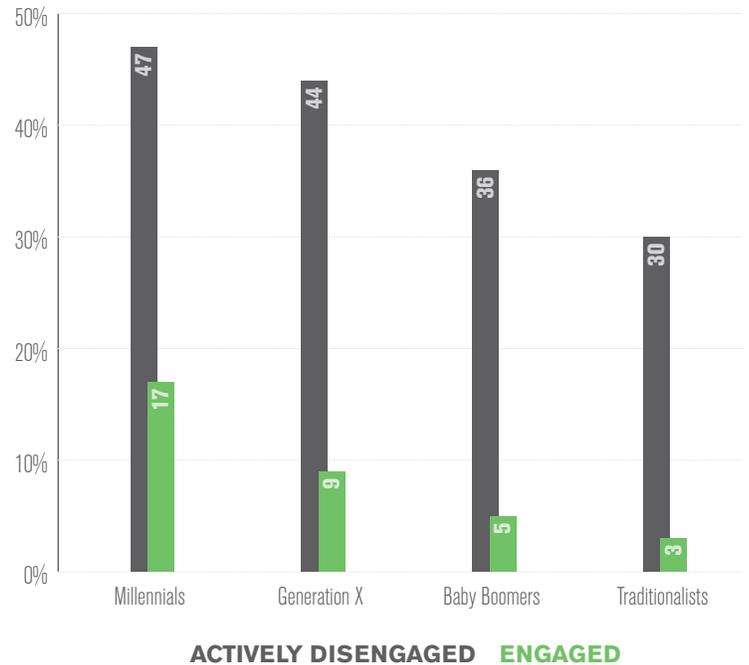
ENGAGEMENT LEVELS, BY GENERATION



Although the two middle generations, Baby Boomers and Generation X, have similar levels of engagement, Baby Boomers give stronger ratings to the foundational aspects of employee engagement, while members of Generation X are more positive about their individual contributions.

At this point in their careers, Millennials are generally more upbeat about all aspects of engagement than are Baby Boomers or Generation X members, but Millennials are particularly more positive about growth and development opportunities. Despite their higher engagement levels, Millennials are the most likely of all generations to say they will leave their company in the next 12 months if the job market improves. More than one in four of these young workers strongly agreed with this statement when asked in 2012.

“ **If the job market improves in the next 12 months, I will look for a job with a different organization.** ”



However, companies that engage their employees can minimize the chances that they will leave. About half (47%) of actively disengaged Millennials strongly agree that they will switch jobs, compared with fewer than one in five (17%) engaged Millennials. The same is true of 9% of engaged vs. 44% of actively disengaged members of Generation X and 5% of engaged vs. 36% of actively disengaged Baby Boomers.

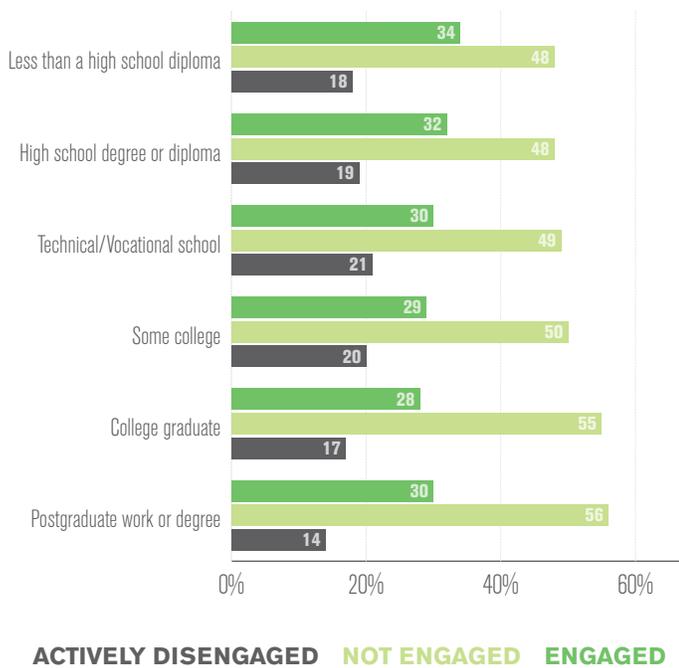
For Millennials, Generation X, and Baby Boomers, Gallup’s research shows that focusing on “opportunity to do best” and “mission and purpose” are the strongest factors for retaining employees. In addition, “opportunities to learn and grow” is an important element for the two younger generations, while “supervisor cares” strongly influences Baby Boomers. Organizations concerned about turnover could benefit from considering these generational insights and factors when developing customized retention strategies.

COMPANIES THAT ENGAGE THEIR EMPLOYEES CAN MINIMIZE THE CHANCES THAT THEY WILL LEAVE.

MORE EDUCATED, LESS ENGAGED

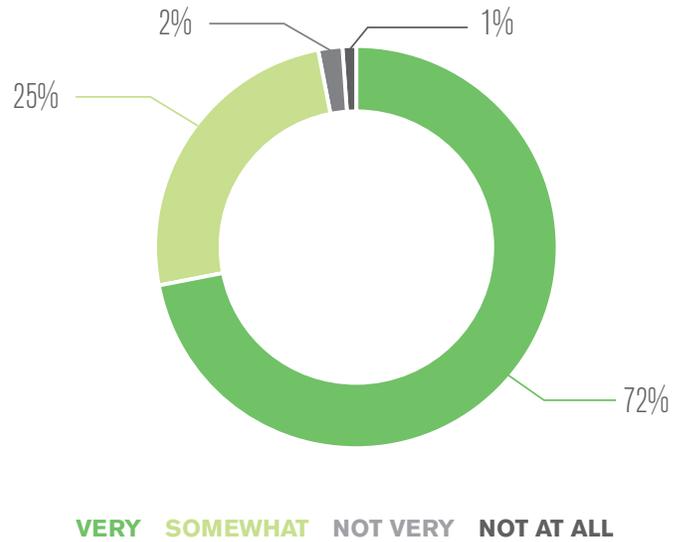
While having a college degree leads to higher earnings throughout a person’s lifetime, it does not guarantee that a graduate’s workplace will meet his or her emotional needs. In fact, analysts found that those with a high school diploma or less are slightly more likely to be engaged in their work than those with a college degree, according to the Gallup Daily tracking poll.

ENGAGEMENT LEVELS, BY EDUCATION



These findings come at a time when educational attainment is at an all-time high in the U.S. One-third of Americans aged 25 to 29 currently hold a bachelor’s degree, according to a 2012 Pew Research Center report. This number is up from the 28% in 2006, reflecting Americans’ strong conviction that a college education is necessary to succeed in life. In a 2012 study conducted by Gallup and the Lumina Foundation, more than seven in 10 Americans said it is “very important” to have a certificate or degree beyond high school.

HOW IMPORTANT IS HAVING A CERTIFICATE OR DEGREE BEYOND HIGH SCHOOL?



Nearly all respondents in the Gallup/Lumina Foundation study (96%) said that a college education is either “very important” or “somewhat important” to getting a good job. The same number said that a college degree is either somewhat or very important to earn more money. While Americans agree on these points nearly universally, it appears that employees with the quintessential high-paying “good” jobs that are associated with a college degree are no more likely than those with less education to report having a positive, engaging workplace experience.

Although there is only a six percentage point difference in engagement between those with less than a high school diploma (34%) and those with a college degree (28%), given the large sample sizes, these findings are significant, if not surprising. It could be that high unemployment rates have led those without a high school degree to count themselves lucky to have a job at all. Alternatively, it could be that those who invested time and money into earning a college degree have higher expectations for their managers and workplaces that often go unmet.

Beyond those two extremes, the data also show that those with a high school diploma also have slightly higher employee engagement than those with a college degree. And those with a postgraduate degree have engagement levels on par with those who have technical or vocational training.

Researchers did find that those with higher levels of education were slightly less likely to be actively disengaged than those with a high school diploma, technical/vocation training, or some college. This finding suggests that a college degree may allow workers to avoid becoming “trapped” in a bad job by providing more employment options and allowing them to be more selective in the work they choose.

Despite the benefits that the increasingly educated workforce is expected to bring to the U.S. economy, it appears that employers are doing too little to engage this influx of college graduates in their workplaces. Leaders must do more to learn about these employees’ specific needs and expectations to develop targeted, measurable plans of action that tie to organizational objectives.

Most U.S. companies are missing a pivotal opportunity to reap the benefits of the brain gain that the U.S. workforce is currently experiencing. It is not enough to simply hire more college graduates. Employers must concentrate on engaging these workers to ensure that they are maximizing their investment into these employees’ potential.

**DESPITE THE BENEFITS THAT THE
INCREASINGLY EDUCATED WORKFORCE
IS EXPECTED TO BRING TO THE
U.S. ECONOMY, IT APPEARS THAT
EMPLOYERS ARE DOING TOO LITTLE
TO ENGAGE THIS INFLUX OF COLLEGE
GRADUATES IN THEIR WORKPLACES.**

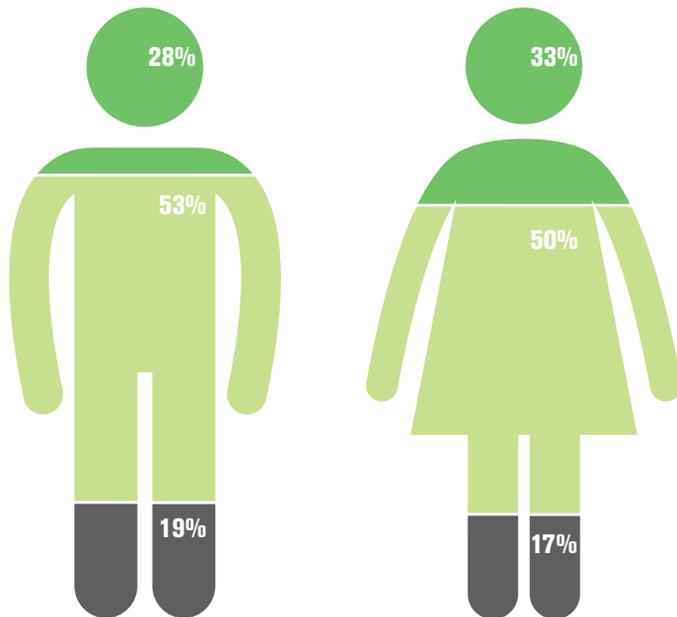
WOMEN SLIGHTLY MORE ENGAGED THAN MEN

Gallup found that women had slightly higher overall engagement than men, despite facing several well-documented gender equality issues in the workplace, including hiring bias, lower pay, and the so-called glass ceiling.

The research from Gallup Daily tracking in 2012 showed that 33% of women were engaged, 50% were not engaged, and 17% were actively disengaged. This compares with 28% engaged, 53% not engaged, and 19% actively disengaged among men — not a tremendous difference, but a statistically significant one.

When looking at men's and women's responses within Gallup's Q12 Client Database for the years 2010-2012, there is a similar six-percentage-point difference between men and women, again tilted in women's favor. Women's scores were higher on

NATIONWIDE IN 2012, WOMEN HAD SLIGHTLY HIGHER OVERALL ENGAGEMENT THAN MEN.



ACTIVELY DISENGAGED **NOT ENGAGED** **ENGAGED**

relationship-based items such as the “supervisor or someone cares” and “best friend” items. On the other hand, men's scores were higher on items regarding what the company offers to them and to their careers such as the “employees committed to quality,” “mission and purpose,” and “opportunities to learn and grow.” Managers should keep these differences in mind and

when looking for ways to boost engagement among men and women.

MANAGING ENGAGEMENT IN A DIVERSE WORKFORCE

The traditional approach to management suggests that leaders are better off treating all of their employees the same. However, this viewpoint ignores that as human beings, employees are profoundly different from one another. Factors such as age, generation, gender, education level, and tenure, for instance, all relate to engagement, as do an employee's job category and industry. The best managers recognize and understand the fundamental differences among their team members and think about the implications for the workplace. These managers are energized by the potential these diverse individuals bring to the table.

Even so, it can be a daunting challenge for managers to try to unite the disparate personalities on their team every day to focus on a common mission and achieve ever-higher goals. After all, there is no one “right” way to engage everyone, and employees certainly do not become engaged overnight. For the

manager, it all starts with an awareness of who employees are and where they are at in their engagement journey. Managing diversity is key, and great managers recognize that behind all of the broad segments are people with different talents, skills, and experiences whom they need to manage individually.



The following are some points to help managers evaluate whether they are making the most of their employees' unique qualities:

- Employees with a college degree have lower engagement than workers with a high school diploma or less. This indicates that employers are not maximizing their investment in these more highly educated employees. Empower these workers to take a particularly active role in their own engagement. They have devoted a considerable amount of energy into their career by earning a degree. Find ways to honor and capitalize on all they have attained.
- Generation X, Millennials, and Baby Boomers are all most engaged when they have the opportunity to do what they do best every day. Gallup's Clifton StrengthsFinder assessment offers an easy way for managers to learn about their employees' greatest talents and begin positioning their people to use their strengths every day. StrengthsFinder can be used as an organization-wide initiative or by individual managers who are serious about making the most of their employees' potential.
- Engagement for Millennials, Generation X, and Baby Boomers is connected to having a strong sense of what their organization stands for. Find ways to help these employees verbalize and internalize what the company's mission and purpose means to them.
- More so than other generations, Baby Boomers respond to managers who make an extra effort to show that they care. Managers should keep this in mind during day-to-day interactions and find ways to communicate interest in these employees by inquiring about their work and other important aspects of their lives.
- Millennials are particularly prone to job-hopping. To increase retention among this group, emphasize engagement and provide plenty of opportunities to learn and grow, which is a strong factor in engagement for this group. While nearly half of actively disengaged Millennials want to find new jobs, only 17% of engaged ones do.
- Employees are as engaged as they will ever be during the first six months of their tenure at an organization. Companies should do everything possible to extend and intensify the engagement level of these "honeymooners." Namely, consider pairing them up with a workplace friend to show them the ropes, provide plenty of recognition for their early efforts, and emphasize the Q¹² as a way to have their opinions be heard. These actions may help boost engagement on measures traditionally low for newer hires.
- While engagement tends to flat-line after employees' first six months on the job, Gallup has found that companies with a highly engaged executive team tend to see higher employee engagement among those with a tenure of 10 years or more. This finding underscores the vital importance of organizational leaders who "walk the walk" when it comes to creating an engaged workplace.
- Consistency and perseverance are a company's best weapons against lagging engagement over the course of employees' tenure. Gallup found that clients who continuously administer the Q¹² metric and make improvements based on their survey results are able to increase engagement every year at all tenure levels and particularly for employees who have been with the company 10 years or longer.
- The service worker job category saw a drop in engagement between 2009 and 2012, a period when other categories gained momentum. This finding should alarm leaders because these people are on the front lines dealing with their customers every day. When these employees are actively disengaged at work, they could be passing on that negativity during every customer encounter. Organizations in the service worker industry need to take action immediately to reverse this trend and salvage their customer relationships while they still can.
- Employees in manufacturing and production are among the least engaged, perhaps owing to the fact that the management culture in these companies tends to focus on process ahead of people. An investment in managers' engagement in all industries, but these in particular, could go a long way in boosting employee engagement. Gallup finds that managers continue to be the most powerful influence on workers' engagement levels. **G**



3

WAYS TO ACCELERATE EMPLOYEE ENGAGEMENT

**INVESTING IN
EMPLOYEE
SELECTION,
STRENGTHS,
AND WELLBEING
CAN BOOST
ENGAGEMENT
RESULTS.**

After decades of research into human behavior in the workplace, Gallup discovered unique insights and strategies to help companies worldwide transform the way they do business. To accelerate engagement and optimize growth within organizations, Gallup established important approaches for leaders to adopt to maximize the role human behavior plays in the workplace.

Finding the right employees and managers is essential to an organization's financial outcomes. Gallup helps companies scientifically select people who have the potential to be top performers and supports organizations in hiring and promoting employees with the talent to boost employee engagement.

It is not enough to put the right people in the right jobs. Companies must invest in their employees' greatest talents to optimize their performance. Gallup helps organizations discover what is naturally right with their employees by identifying employees' unique strengths and then building on them to achieve their full potential.

By creating a culture of wellbeing in their workplaces, organizations not only help their employees become more engaged, they also help them thrive. Gallup helps companies track, manage, and enhance employee wellbeing to better control healthcare costs, enhance productivity, and attract and retain top talent.

When used with an employee engagement initiative, Gallup's research has proven that investing in employee selection, strengths, and wellbeing has the power to boost the results companies would receive from increasing engagement alone.

1

SELECT THE RIGHT PEOPLE

Though many organizations focus on strengthening their current employees' engagement, few have realized the potential effect the selection of managers and employees can have on engagement and organizational performance. Ultimately, people engage people. Gallup helps organizations ensure they select the right people to increase their overall engagement.

**GREAT MANAGERS
HAVE GREAT TALENT
FOR SUPPORTING,
POSITIONING,
EMPOWERING,
AND ENGAGING
THEIR STAFF.**

BOOSTING ENGAGEMENT THROUGH MANAGER SELECTION

Whom companies name as manager is one of the most important decisions they make given that managers play a critical role in driving engagement in any organization. Whether hiring from the outside or promoting from within, organizations that scientifically select managers for the unique talents it takes to effectively manage people greatly increase the odds of employee engagement. Instead of using management jobs as promotional prizes for all career paths, companies should treat them as unique roles with distinct functional demands that require a specific talent set. The reality is that many people who are the best performers in their current roles do not have the talents necessary to effectively manage people.

Gallup researchers have spent decades studying great managers' talents — naturally recurring patterns of thought, feeling, and behavior that are productively applied in the role — and have discovered that talents are powerful predictors of organizational engagement and performance. While there are many factors to consider when hiring or promoting, the most fundamental is how a person is likely to behave in the role and whether he or she can fulfill the role's responsibilities to excel.

Great managers engage their teams on several levels. First, they display genuine care and concern for their people. By building strong, trusting relationships with their staff, they can engender an open and positive work atmosphere in which employees feel supported and engaged. Second, great managers care just as much about performance as they do about their people as individuals. They set the stage for performance by determining those metrics that matter most and finding ways to individually motivate employees to work and strive harder. Finally, great managers value and invest in talent. With an eye for what individuals around them do well, they perfectly position people in areas or tasks that will use their greatest strengths, resulting in an increased ability for individuals to say that they have an opportunity to do what they do best.

The bottom line is that great managers have great talent for supporting, positioning, empowering, and engaging their staff. Choosing the right managers in an organization has an immediate effect on employees' engagement.

WITH EACH NEW HIRE OR PROMOTION, EMPLOYERS HAVE THE OPPORTUNITY TO MAXIMIZE EMPLOYEE ENGAGEMENT IN THE WORKPLACE.

BOOSTING ENGAGEMENT THROUGH EMPLOYEE SELECTION

Through selecting the right managers *and* employees for any role, companies can strategically boost engagement.

In most organizations, a few key employees stand out for their ability to foster workplace engagement. They energize and influence others with their commitment to achieving organizational and team objectives. The best managers know who their standout employees are, and they would hire more like them if they knew how.

Gallup developed the Engagement Creation Index (ECI) — an innovative tool designed to identify and measure the talent for engaging others — to help organizations transform their engagement dynamic by adjusting their hiring practices. The ECI does more than measure a candidate's own likelihood to be engaged, which can fluctuate over time. Most importantly, it captures a candidate's ability to act as a catalyst to build engaged work teams.

Gallup rigorously tested the ECI and has scientifically proven its ability to predict which job candidates are most likely to elevate engagement levels among their coworkers. These individuals naturally generate energy and commitment wherever they go, accelerating an organization's journey toward higher levels of engagement. In fact, when combining the ECI with more rigorous

Using Gallup's ECI during the hiring process produces improved workgroup engagement scores. When the ECI is combined with rigorous selection criteria, engagement scores improve even more.

Less selective:

When hiring the top 50% of all applicants, workgroups score in the **65th** percentile in Gallup's Q¹² Client Database.

TOP
50%

More selective:

When hiring the top 20% of applicants, workgroups score in the **75th** percentile in Gallup's Q¹² Client Database.

TOP
20%

selection criteria, engagement scores improve even more. The bottom line is that the ECI offers employers a powerful tool to ensure that they are making the most of each selection opportunity.

At the end of the day, engagement is all about people. Therefore, it is imperative for leaders to devise selection strategies with the goal of accelerating employee engagement. This starts with hiring and promoting managers based on objective selection criteria to ensure that companies hire/promote managers with the talent to lead and engage their workgroups.

In addition, Gallup's selection tools, such as the ECI, can help organizations hire more employees like their best, including those with a talent for helping to engage others. With each new hire or promotion, employers have the opportunity to maximize employee engagement in the workplace. People want to feel supported, have a sense of belonging, and understand the contribution they can make toward organizational goals. Making sure that they get these things from their interactions with managers and team members is key to driving their engagement.

2

DEVELOP EMPLOYEES' STRENGTHS

Gallup researchers studied human behaviors and strengths for decades and established a compelling connection between strengths and employee engagement in the workplace — one that has the power to accelerate performance when companies work on enhancing both simultaneously. The research shows that people who use their strengths every day are six times more likely to be engaged on the job.

Building employees' strengths is a far more effective approach than trying to improve weaknesses.

THE POWER OF STRENGTHS

The best opportunity for people to grow and develop is to identify the ways in which they most naturally think, feel, and behave, and then build on those talents to create strengths, or the ability to consistently provide near-perfect performance. Gallup works with organizations worldwide to help their employees discover their innate talents and apply them productively to achieve performance outcomes. In its extensive research, Gallup has found that building employees' strengths is a far more effective approach than trying to improve weaknesses. When employees know and use their strengths, they are more engaged, have higher performance, and are less likely to leave their company.

To learn more about how employees use their strengths in their work, Gallup developed the Strengths Orientation Index for use with an employee engagement initiative. The index can help companies determine how successful they are at creating a workplace that cultivates employees' strengths. The index includes four items:

1. Every week, I set goals and expectations based on my strengths.
2. I can name the strengths of five people I work with.
3. In the last three months, my supervisor and I have had a meaningful discussion about my strengths.
4. My organization is committed to building the strengths of each associate.

Gallup tested these items using samples of the U.S. working population and discovered that 3% of employees could strongly agree with all four of the Strengths Orientation Index items. This low level of agreement shows that the vast majority of organizations in the U.S. do not focus on helping employees use their strengths. This is a costly oversight. When employees feel that their organization cares and encourages them to make the most of their strengths, they are more likely to respond with increased discretionary effort, a higher work ethic, and more enthusiasm and commitment. The best way for employers to maximize employees' strengths is through their managers. But what happens when managers choose to ignore their employees or focus on their weaknesses instead?

ENGAGEMENT INCREASES WHEN MANAGERS FOCUS ON EMPLOYEES' STRENGTHS

To test the effects of the manager's approach to engagement and strengths, Gallup conducted a study with a random sample of 1,003 U.S. employees to determine how much they agreed with two statements: "My supervisor focuses on my strengths or positive characteristics" and "My supervisor focuses on my weaknesses or negative characteristics." Gallup put employees who did not agree with either statement into an "ignored" category.

One-quarter (25%) of American workers fell into the ignored category, and 40% of these employees were actively disengaged. Managers who focused on their employees' weakness cut active disengagement roughly in half, to 22%, proving that even negative attention is better than no attention at

all in employees' eyes. By contrast, for the 37% who agreed that their supervisor focused on their strengths, active disengagement fell dramatically to 1%. What's more, nearly two-thirds (61%) of these employees were engaged, twice the average (30%) of U.S. workers who are engaged nationwide. This suggests that if every organization in America trained their managers to focus on employees' strengths, the U.S. could easily double the number of engaged employees in the workplace with this one simple shift in approach.

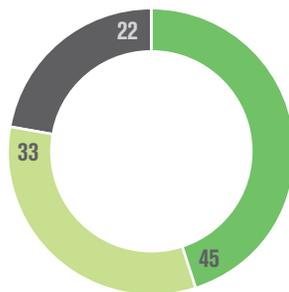
A supervisor's approach to strengths has such a profound effect on engagement because the manager plays an important role in maximizing employees' chances to use their strengths every day. Managers

have unique opportunities in their daily interactions with employees to empower them to discover and develop their strengths, and they have the ability to position employees in roles where they can do what they do best every day. When managers succeed in these endeavors, their teams become more engaged. And Gallup has found that employees who feel engaged at work and who are able to use their strengths in their jobs are more productive and profitable and have higher quality work. Based on findings like these, Gallup concluded that a strengths-based management approach is the best way to improve the employee-manager relationship.

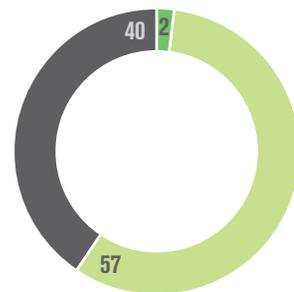
A STRENGTHS-BASED MANAGEMENT APPROACH IS THE BEST WAY TO IMPROVE THE EMPLOYEE-MANAGER RELATIONSHIP.



MY SUPERVISOR FOCUSES ON MY STRENGTHS OR POSITIVE CHARACTERISTICS



MY SUPERVISOR FOCUSES ON MY WEAKNESSES OR NEGATIVE CHARACTERISTICS



IGNORED

%ACTIVELY DISENGAGED %NOT ENGAGED %ENGAGED

FOCUSING ON EMPLOYEES' STRENGTHS RELATES TO IMPROVED WELLBEING

Additionally, Gallup's studies show that using strengths leads to improved health and wellness outcomes. The more hours each day that Americans are able to use their strengths to do what they do best, the less likely they are to report experiencing worry, stress, anger, sadness, or physical pain during the previous day. More than half (52%) of Americans who use their strengths for three hours a day or less report feeling stressed, but this falls to 36% for those who use their strengths 10 hours per day or more.

Americans also boost their positive emotions the more they use their strengths. The more

hours per day they believe they use their strengths, the more likely they are to report having ample energy, feeling well-rested, being happy, smiling or laughing a lot, learning something interesting, and being treated with respect.

Americans report they experience more energy when they get to use their strengths often during the day. Those who use their strengths for 10 hours or more each day are more likely to say they have enough energy to get things done than those who use their strengths for three hours or fewer.

**TEAMS THAT
FOCUS ON
STRENGTHS
EVERY DAY HAVE
12.5% GREATER
PRODUCTIVITY.**

NEGATIVE EMOTIONAL EXPERIENCES "YESTERDAY"

by hours spent using strengths



FOCUSING ON STRENGTHS IMPROVES EMPLOYEES' LIVES AND THE ORGANIZATION'S BOTTOM LINE

The benefits of being able to maximize one's strengths lead not just to higher engagement levels and a better career, but also to a better life for many Americans. These wellbeing advantages, in turn, benefit employers in terms of higher productivity, fewer sick days, lower incidence of chronic disease, and fewer health-related expenses. Additionally, engagement and strengths orientation together create a culture that fosters high performance.

All employees have strengths — the unique combinations of talents, knowledge, and skills that help them do what they do best every day. These strengths do more than make them unique individuals; they also serve as employees' — and the organization's — greatest opportunities for success. What leaders do or do not do with this workforce potential has enormous implications for their organization's future. Gallup's data show that simply learning their strengths makes employees 7.8% more productive. Further, teams that focus on strengths every day have 12.5% greater productivity. Investing in and focusing on employees' talents will boost employee *and* customer engagement, according to Gallup's research, leading to higher levels of performance, profitability, productivity, and greater earnings per share for organizations.

Managers and leaders can take these steps to help employees use their greatest talents and build a strengths-based organization:

- Do not assume that employees know their strengths. People often take their most powerful talents for granted or may not be aware of them. Gallup's Clifton StrengthsFinder assessment has helped more than 8.5 million people worldwide to discover their greatest talents, and organizations can easily use this tool as a starting point for building a strengths orientation within the workplace.
- Find ways to apply strengths in a team setting to achieve common goals. Help coworkers learn and understand each other's strengths and how their talents complement those of others on the team. Consider posting employees' top five themes in their offices or cubicles.
- Use team meetings to help team members deepen their understanding of the strengths approach and assign team projects based on employees' strengths.
- Help employees align their greatest talents to the expectations and responsibilities of their roles.
- Incorporate strengths into performance conversations and reviews and help employees set goals based on their strengths.
- Create a community of strengths advocates and champions as internal experts to help everyone in the organization use his or her strengths. These people will help with initial launch efforts and sustain those efforts through the entire company's strengths journey.

3

ENHANCE EMPLOYEES' WELLBEING

As healthcare costs continue to rise in the U.S., employers who invest in engaging their workers *and* improving these employees' wellbeing have a distinct competitive advantage. In studying the relationship between employee engagement and worker wellbeing, Gallup researchers found that when an organization increases both, it pays off in terms of lowering medical costs *and* accelerating important performance outcomes. Despite these clear benefits, it appears that U.S. employers are doing little to maximize engagement and wellbeing simultaneously in their companies. In 2012, less than a quarter of American employees were engaged in their jobs and thriving in their overall lives.

EMPLOYEES WHO ARE ENGAGED IN THEIR JOBS ARE GENERALLY IN BETTER HEALTH AND HAVE HEALTHIER HABITS THAN EMPLOYEES WHO ARE NOT ENGAGED OR ARE ACTIVELY DISENGAGED.

ENGAGED WORKERS LEAD HEALTHIER LIVES

One of the more intriguing findings Gallup discovered while studying engagement outcomes is a correlation between employees' engagement levels and their physical health. Gallup found that employees who are engaged in their jobs are generally in better health and have healthier habits than employees who are not engaged or are actively disengaged. Engaged employees have lower incidences of chronic health problems such as high blood pressure, high cholesterol, diabetes, obesity, diagnosed depression, and heart attacks than actively disengaged employees. They also eat healthier, exercise more frequently, and consume more fruits and vegetables than their not engaged or actively disengaged counterparts. Further, these engaged employees are more likely to be involved in employer-sponsored wellness programs.

These findings suggest that employers who make an effort to improve their employees' engagement levels will help their workers improve the quality of their lives, minimizing the costs of decreased productivity resulting from chronic illnesses.

EMPLOYEES WITH HIGH WELLBEING HAVE LOWER HEALTHCARE COSTS

In addition to measuring workers' engagement levels, Gallup measures their wellbeing levels and categorizes them as "thriving," "struggling," or "suffering." Gallup defines wellbeing as all the things that affect how people think about and experience their lives. Gallup discovered dramatic differences in actual healthcare costs employers pay each year on employees' behalf based on each wellbeing category. Employees who are thriving in overall wellbeing have 41% lower health-related costs compared with employees who are struggling and 62% lower costs compared with employees who are suffering. Currently in the U.S., slightly more than half (58%) of employees in the U.S. workforce are thriving. These findings suggest that if employers made an intentional effort to raise wellbeing levels for all workers, they would realize significant savings in their medical costs.

THRIVING employees have strong, progressive overall wellbeing; **STRUGGLING** employees have moderate or inconsistent overall wellbeing; and **SUFFERING** employees have wellbeing that is at high risk.

ENGAGED AND THRIVING EMPLOYEES ARE RESILIENT AND AGILE

Beyond the advantages companies realize when they either engage their employees or increase their wellbeing, Gallup researchers discovered that improving both simultaneously accelerates employee engagement levels. Gallup found that employees who are thriving in their lives overall are more than twice as likely as those who are struggling to be engaged in their jobs. In addition, thriving employees

are nearly six times as likely as those who are suffering to be engaged.

When employees are engaged *and* thriving in their wellbeing — as are 22% of American workers overall — they are more likely to be agile and resilient. These employees have both their workplace lives and their overall lives operating smoothly, so major organizational changes or disruptions in their personal lives are unlikely to throw them off course. They are physically healthy, have strong relationships, are active in their

communities, and are in control of their finances. They also enjoy their work and are 13% more likely to report excellent performance and 32% more likely to stay with the company than those who are engaged but are struggling or suffering in their overall lives.

Likewise, engaged, thriving employees have fewer health problems and therefore lower healthcare costs to their employers. Compared with their engaged but struggling/suffering counterparts, they have 46% fewer unhealthy days as a result of physical or mental illness, are 39% less likely to be diagnosed with a new disease in the next year, and are 43% less likely to be newly diagnosed with anxiety and depression. These numbers add up to big savings for companies' bottom lines in terms of productivity and medical costs.

ANNUAL HEALTH-RELATED COSTS TO EMPLOYER, BY WELLBEING CATEGORY



THE MANAGER'S ROLE IN IMPROVING EMPLOYEE ENGAGEMENT AND WELLBEING

How employees are managed can significantly influence their engagement and wellbeing, which in turn affects an organization's bottom line. Managers can limit active disengagement and poor wellbeing on their teams by focusing on specific Q¹² elements such as connecting their work to the organization's mission and purpose (Q08) and focusing more on employees' strengths (Q03). More broadly, Gallup found that the highest performing managers find ways to improve employees' lives while helping them improve their work performance. Although some supervisors might expect employees to compartmentalize their work lives and their personal lives, great managers know that the whole person comes to work and that each employee's wellbeing influences individual and organizational performance. These managers inspire team engagement and performance in part because they invest in their employees' overall lives and wellbeing.

Business leaders and managers can play a major role in developing an approach to improve the workplace environment and potentially their workers' health and wellbeing. Leaders should consider the following insights when creating a plan that addresses their workplace's specific needs, keeping in mind that Gallup found that actions that affect employees' lives on a personal level are the most likely to succeed:

- **Make wellbeing an organizational strategy — much like other organizational outcomes.** Healthy behaviors are contagious. Employees in teams affect the wellbeing of others in the workgroup, so any strategy should seek to capitalize on this powerful chain of influence. Also, leaders who are thriving in their own wellbeing are more likely to have thriving employees. Organizations should expect that employees and those in management have high wellbeing, and leaders and managers should reinforce this expectation.
- **Communicate a commitment to wellbeing consistently in all of the programs the company offers.** Companies can help employees be more conscious of their wellbeing and understand how to improve it through various corporate programs and benefits. These benefits could include many offerings such as 401(k) programs, social or community activities, health-risk assessments, exercise machines, employee assistance programs, and nutrition information programs.
- **Hold leaders accountable for wellbeing programs available to employees.** Leaders should constantly evaluate programs they use for wellbeing improvement. Hold the organization accountable by measuring wellbeing and

EMPLOYEES WHO ARE THRIVING IN THEIR LIVES OVERALL ARE MORE THAN TWICE AS LIKELY AS THOSE WHO ARE STRUGGLING TO BE ENGAGED IN THEIR JOBS.

tracking improvements. Evaluate the effectiveness of existing programs to ensure that they are motivational and connect to the right outcomes.

- **Consider how to embed activities to increase wellbeing in individual development plans and goals.**

Encourage wellbeing goal setting with individuals by having them share what feels comfortable about their goal with at least one person. Encourage employees to document their goals and track their individual wellbeing. Create activities and sessions that bring opportunities for peer discussions on wellbeing topics.

- **Set positive defaults for making healthy choices.** Employees face several choices and decisions throughout their workday. When it comes to wellbeing, make it easy to pick the right choices. Make it simple to participate in 401(k) programs, contribute to savings accounts, or take part in health programs. In vending machines and cafeterias, ensure that healthy snacks and drinks are the most accessible. Offer plenty of opportunities to join physical or social activities throughout the day. Look for other easy ways to incorporate wellbeing activities into the day-to-day routine at work.

When leaders follow these guiding principles, their companies will make substantial inroads to improving employee wellbeing. Given the existing teams, structure, departments, and social networks they can use to help effect change, organizations are in a unique position to make a real difference in the lives of employees and their families. Gallup found that higher wellbeing among employees accelerates employee engagement, with engaged, thriving employees having the most positive effect in their workplaces. Organizations that find ways to engage their employees *and* increase their wellbeing will reap the financial benefits of higher engagement and find enormous savings in healthcare costs and fewer missed workdays, while enhancing employees' overall quality of life. **G**

**GREAT MANAGERS KNOW THAT THE WHOLE PERSON
COMES TO WORK AND THAT EACH EMPLOYEE'S
WELLBEING INFLUENCES INDIVIDUAL AND
ORGANIZATIONAL PERFORMANCE.**



LINKING EMPLOYEE ENGAGEMENT TO CUSTOMER GROWTH

As organizations transform their workplaces through employee engagement, leaders must remember the process is not an end in itself. They need to use their engaged workforce in a productive, purposeful way to get the most from every employee. A critical place to start is with the customer. Great leaders know that the best way to get their customers engaged and spending more is to ensure that their employees are engaged and aligned with their brand promise.

Optimizing the emotional connection between employees and customers must be central to what leaders and managers think about every day. If they do not focus on this connection, missed opportunities to maximize employees' efforts quickly result in missed opportunities with their customers or prospects, inhibiting organizational growth. Despite what companies stand to gain, Gallup often finds that they struggle to connect engaged employees' actions into an engaging experience for their customers, and the issue is usually

that employee behaviors are not aligned with the company's brand.

When Gallup recently examined U.S. workers' engagement by job position, engagement levels for service employees were among the lowest and had declined — even as engagement for every other job category increased. This is an ominous sign for leaders who entrust their customers to the care of service workers every day. If these front-line employees are not engaged, chances are that the company's customers will not be either.

All employees need to understand how their individual contribution relates to the company's mission and purpose, whether that mission is to make a profit and increase earnings per share (EPS), to raise funds to keep a nonprofit operation running, or to provide healthcare to those in need. But front-line employees represent a particularly important opportunity to fulfill this mission and purpose in direct interactions with existing and potential customers.

THE POWER OF THE EMPLOYEE-CUSTOMER ENCOUNTER

The moment an employee connects emotionally with a customer is a source of untapped power that has profound implications for a company's productivity and profitability. When organizations know how to prepare front-line employees to make the most of these moments, they engage customers — who in turn spend more, visit more often, resist competitive overtures, promote their brand to others, and forgive the occasional service blunder. Companies drive real growth by empowering employees to do what is right in their customers' eyes.

Gallup's HumanSigma approach is a framework companies can use to align employee engagement and customer engagement to optimize business outcomes. Based on research conducted with 10 million employees and 10 million customers worldwide, the HumanSigma approach combines a proven method for assessing the employee-customer encounter with an actionable process for improving it.

The HumanSigma framework consists of Gallup's Q¹² employee engagement and CE¹¹ customer engagement items. The CE¹¹, like the Q¹², consistently demonstrates a powerful link to key business outcomes. Integrating them amplifies their revenue-producing results by aligning an engaged workforce with customers' emotional needs.

When Gallup researchers studied the effects of combining customer and employee engagement, they found that in workgroups with engaged employees serving engaged customers, the result was more than the sum of its parts. When organizations successfully engage their customers and their employees, they experience a 240% boost in performance-related business outcomes compared with an organization with neither engaged employees nor engaged customers. Organizations that only maximize one or the other can experience growth in the short run, but they will not be able to sustain it over the medium- to long-term horizons unless they align engagement with their employees and customers.

**COMPANIES DRIVE REAL
GROWTH BY EMPOWERING
EMPLOYEES TO DO WHAT
IS RIGHT IN THEIR
CUSTOMERS' EYES.**

**WHEN ORGANIZATIONS SUCCESSFULLY ENGAGE THEIR
CUSTOMERS AND THEIR EMPLOYEES, THEY EXPERIENCE A**

240%

**BOOST IN PERFORMANCE-RELATED BUSINESS OUTCOMES
COMPARED WITH AN ORGANIZATION WITH NEITHER
ENGAGED EMPLOYEES NOR ENGAGED CUSTOMERS.**

MOST EMPLOYEES ARE NOT GROOMED FOR THE ROLE OF BRAND AMBASSADOR, WHICH COULD BE COSTING THEIR COMPANIES MILLIONS OF DOLLARS IN LOST OPPORTUNITY.

EVERY EMPLOYEE PLAYS A ROLE

Not every employee is on the front lines with the customer, but every employee is still responsible for customer engagement. It is common for employees in supporting or behind-the-scenes roles — such as administration, billing, IT, and research and design, to name a few — to feel like their positions are not essential when it comes to engaging customers. But they could not be more wrong. Even if they spend day after day performing their duties without ever seeing a customer, their work is still vital to the customer experience, or else they would not be there.

Great managers help employees understand how every role in the organization connects to the customer through the company's mission and purpose. Every direct or indirect point of contact between a company and a customer — even through a bill, a letter or email, an ATM transaction, an online interface, or a product or service — has the potential to make a customer feel more engaged or less engaged with the company. Such experiences are rarely neutral. Great managers recognize this, and they help motivate all employees, accelerate their development, and unleash their innovation and productivity to ultimately engage the emotions of the customers they serve at every possible touchpoint.

BUILDING BRAND AMBASSADORS

Engaged employees, whether on the front lines or several layers removed, are well-qualified to serve as a company's brand ambassadors. When employees make contact with your customers, or potential ones, they give meaning and dimension to your company's brand promise. The best employee brand ambassadors don't stop doing this at the end of the workday. They continue to extol the virtues and values of their company's brand even when they are off the clock, in conversations with friends, family, neighbors, and on social media. Unfortunately, most employees are not groomed for the role of brand ambassador, which could be costing their companies millions of dollars in lost opportunity.

The notion that a company's employees represent the "face" of its brand is not new. But as companies seek to win in today's marketplace, many executives have begun to see the potential that their engaged employees represent. To maximize the power of their engaged employees, companies must give them

the knowledge and resources they need to be effective brand ambassadors.

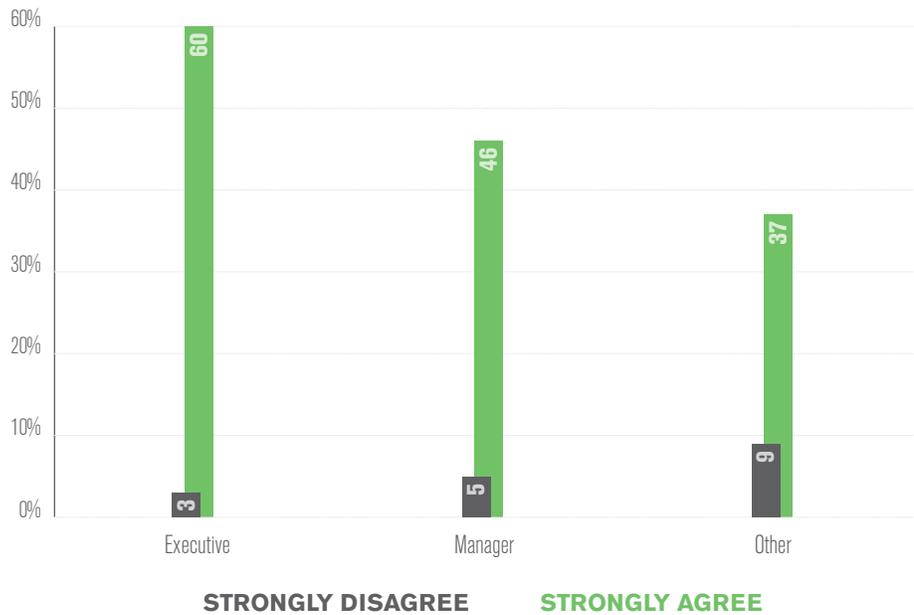
Employees must:

- know what the organization stands for and what makes it different from others in the marketplace
- understand the company's brand promise and be able to explain the most important elements of the brand identity
- be empowered to deliver on the brand promise

Surprisingly, Gallup's recent research with more than 3,000 randomly selected workers showed that only 41% of employees felt that they know what their company stands for and what makes its brand different from its competitors. This suggests that too many companies are failing to help their workers understand what makes their company different and better than the rest.

When examining the data by job role, 60% of executives strongly agreed that

“I KNOW WHAT MY COMPANY STANDS FOR AND WHAT MAKES OUR BRAND(S) DIFFERENT FROM OUR COMPETITORS.”



they know what their company stands for and what makes its brand(s) different from its competitors, compared with 46% of managers. But only slightly more than one-third (37%) of “other” employees (nonexecutives and nonmanagers) strongly agreed that they understand their company’s brand promise and brand differentiation, which is concerning because it is likely that many of these employees interact with customers every day.

One conclusion seems inescapable: In many industries, particularly those with a high degree of customer contact, too

few customer-facing employees know what their company stands for and what makes it different. Yet companies rely on these brand ambassadors to represent the company’s brand every day in the marketplace. If employees do not understand their company’s identity and know what sets it apart, it is unlikely that customers will either. And that is a big miss, one with substantial performance implications.

EQUIP EMPLOYEES TO WIN CUSTOMERS

When workers are engaged but are not aligned with their organization’s brand, it limits their power to create an engaging customer experience that will actually drive EPS. Great companies understand that employee engagement in itself is not a destination — it is a platform to even higher performance, greater productivity, and increased revenue. In fact, fully engaged customers represent a 23% premium in terms of share of wallet, profitability, revenue, and relationship growth over the average customer.

To maximize employee and customer interactions and win in the marketplace, organizations need engaged employees deployed in every facet of their operation, not just in customer-facing roles. At the same time, they must understand that engaged employees are essential on the front lines. Each employee needs to understand the importance of his or her role to the company’s mission and purpose, and each must be empowered to do what is right for the customer. Additionally, leaders must align each employee to the company’s brand promise and ensure that he or she is prepared and equipped to be a positive brand ambassador for the organization, both on and off the clock. Once organizations master these areas, they are well on their way to a truly optimized workforce.

10 WAYS TO IMPROVE THE CUSTOMER EXPERIENCE

Gallup's research shows that few employees are aligned with or empowered to deliver the core elements of their company's brand identity and promise. Executives must start by engaging their employees and then taking these steps to help their workers become effective brand ambassadors.

- 1. ACKNOWLEDGE THAT ALL EMPLOYEES PLAY A KEY ROLE IN BRINGING THE BRAND TO LIFE.** Successful branding is not just a marketing or sales function; it is an essential activity for human resources, management, and leadership.
- 2. AUDIT YOUR INTERNAL COMMUNICATIONS** to ensure that they are consistent with your brand identity and promise. Invest in making employees aware of your brand promise, and empower them to act on it.
- 3. ARTICULATE WHAT YOUR BRAND REPRESENTS AND WHAT YOU PROMISE TO YOUR CUSTOMERS.** Inject the core elements of your identity into the workplace constantly and consistently across time, locations, and channels. Use these elements to define not only how you treat your customers but also how you manage, coach, and treat your employees.
- 4. DEPLOY SIMPLE PROCESSES** to ensure that you highlight and discuss the core elements of your company's brand identity every day. Use minute meetings, lineups, or staff gatherings to provide specific examples of how to deliver the brand promise.
- 5. USE SIMPLE TOOLS** such as wallet cards as ready references to the brand, and require employees to memorize the key brand elements.
- 6. REGULARLY ASSESS HOW WELL YOUR EMPLOYEES KNOW AND UNDERSTAND YOUR BRAND PROMISE.** All employees — especially those in customer-facing roles — should believe in and feel they have the resources and permission to deliver your brand promise. Provide additional support in areas that fall short.
- 7. ENSURE THAT NEW EMPLOYEES UNDERSTAND YOUR BRAND IDENTITY AND PROMISE.** All new employees should be able to articulate what your company stands for and what makes you different within their first 30 days of employment, and your managers should reinforce this message every day.
- 8. MAKE SURE THAT EVERY EMPLOYEE UNDERSTANDS HOW HIS OR HER JOB AFFECTS THE CUSTOMER EXPERIENCE.** This is particularly important for roles that are not customer-facing. Constantly connect the dots between what employees are paid to do and what your organization stands for.
- 9. RECOGNIZE EMPLOYEES WHO DELIVER YOUR BRAND PROMISE TO YOUR CUSTOMERS.** Recognition is an important psychological need. Employees who know that they will receive recognition for acting on the brand promise will have a strong incentive to do so.
- 10. REGULARLY SOLICIT OPINIONS FROM YOUR EMPLOYEES ON NEW AND BETTER WAYS TO DELIVER YOUR BRAND PROMISE.** Convene town hall meetings that allow employees to share their ideas and receive feedback. Demonstrating an authentic commitment to alignment is the best way to embed it in your company's culture. 

WHAT THE BEST DO DIFFERENTLY



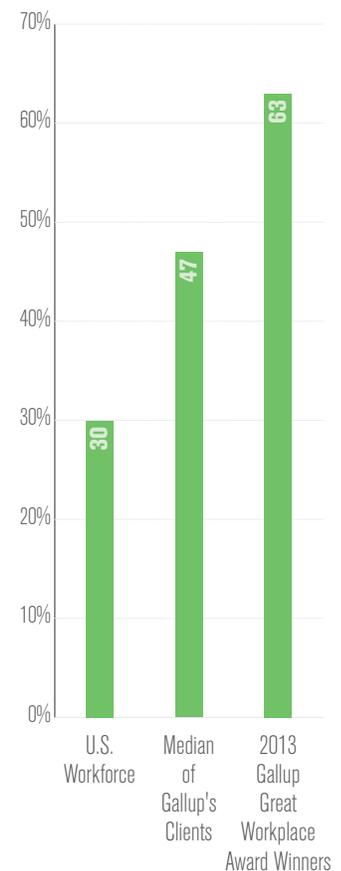
It bears repeating that only 30% of America's workers are engaged in their jobs. Given the proven links between employee engagement and financial outcomes, if U.S. organizations could find a way to double the number of engaged employees, it would dramatically improve their balance sheets and change the country's entire economic trajectory.

Doubling the number of engaged employees may seem unrealistic, but Gallup sees these sorts of substantial increases in employee engagement all the time. If the successes Gallup's clients achieve are any indication, doubling the number of engaged employees is not wishful thinking — many of our clients, both large and small, are already doing it or are well on their way. The median engagement level among all of Gallup's clients is 47%, and it is even higher among our best clients, the winners of the 2013 Gallup Great Workplace Award. These organizations have an average of 63% of engaged employees and boast nine engaged employees for every actively disengaged employee — a ratio that is more than five times the national average.

So, what makes this elite group of highly engaged organizations so successful when the majority of American companies can't get it right?

The best organizations that Gallup has studied deeply integrate employee engagement into the following four areas:

- 1. Strategy and Leadership Philosophy.** Although most organizations now recognize the central role employee engagement plays in driving profit and growth, leaders still fail to provide a clear vision to their people of how engagement connects to the company's mission and growth strategy. If leaders portray employee engagement simply as a survey or a human resources initiative — or worse, aren't involved at all — they will not realize the business results we've outlined in this report. The best leaders understand that there is an emotional undercurrent to everything they do, which affects how they conduct business every day. They take a strategic, top-down approach to engaging leadership teams and then cascade engagement through the ranks of managers to employees on the front lines.
- 2. Accountability and Performance.** Highly engaged organizations hold managers accountable — not just for their team's engagement, but also for how it relates to their team's overall performance. They embed engagement into managers' balanced scorecards and use it as performance evaluation criteria. What's more, the most engaged organizations that Gallup works with infuse engagement into their culture through the tone their leadership sets



and through the way employees and managers do their work. Engagement permeates every conversation, whether a one-on-one meeting, a team huddle, or a regional assessment.

- 3. Communication and Knowledge Management.** Leaders in the best organizations take a strategic approach to aligning their employee engagement communication efforts. They find ways to communicate engagement's impact throughout the year and share engagement tools and best practices within the organization. They use every opportunity, touchpoint, and available communication channel to reinforce and recognize the organization's commitment to employee engagement. Employee engagement is fully integrated into the organization's lexicon.
- 4. Development and Ongoing Learning Opportunities.** The world's top-performing organizations start engaging employees from the minute they show up on the first day. These organizations have well-defined and comprehensive leader and manager development programs, but they also go one step further — they fully integrate employee engagement into these programs. They take leaders' and managers' development seriously, and focus on the development of individuals *and* teams. Employee engagement is a fundamental consideration in their people strategy.

The most highly engaged organizations do not get that way by accident; it takes proper execution, hard work, and perseverance to master the integration of each of these four critical components. These top-performing organizations are outcomes-focused. They define and rigorously measure success at every level in the organization in a way that focuses every person, team, department, and business unit on driving performance and results.

Transformation is not easy — it takes a lot of energy and effort to initiate change and even more to build on that momentum — but it is possible. As our research shows, the benefits are tremendous for organizations that get it right. They are more productive and profitable. They are more likely to retain top talent and attract new talent because their engaged culture differentiates them from other workplaces. They get the most from their employees by tapping into their passion, potential, and discretionary efforts. And they get the most from their customers when employees become brand ambassadors for the company and learn to maximize each customer interaction.

These organizations consistently outperform their competitors, and they consistently grow and thrive — even in challenging economic times.

Right now, the bleak reality is that only about one-third of your employees are committed to your company's success. And that's clearly not enough to overcome the two-thirds of your workforce who are standing in their way. We hope this report will serve as a wake-up call to U.S. business leaders who are serious about putting their companies — and the country — back on the path to real, sustainable growth.



A handwritten signature in blue ink that reads "Ed O'Boyle".

ED O'BOYLE

Global Practice Leader



A handwritten signature in blue ink that reads "Jim Harter".

JIM HARTER, PH.D.

Chief Scientist, Workplace Management and Wellbeing

APPENDIX: METHODOLOGY NOTES AND REFERENCES

In general, the data in this report came from Gallup's Q¹² Client Database, Gallup Panel studies, or Gallup Daily tracking. Some findings came from Gallup's 2012 meta-analysis. Please see below for details.

GALLUP'S Q¹² CLIENT DATABASE

Gallup's historical client database contains information from clients who took the Q¹² survey between 1996 and 2012. It holds data from 25 million respondents from 2.8 million workgroups and 1,110 clients in 195 countries and 16 major industries.

Gallup updates its database annually. Findings used to conduct research and set benchmarks are based on three-year rolling periods. Gallup's 2013 Q¹² Client Database includes data from 2010, 2011, and 2012, with data from 7.8 million respondents, 1,024,000 workgroups, and 352 clients in 179 countries and 13 major industries.

Gallup's 2012 Q¹² Client Database includes data from 2009, 2010, and 2011, with data from 7.5 million respondents, 965,000 workgroups, and 401 clients in 177 countries and 16 major industries.

Gallup's 2011 Q¹² Client Database includes data from 2008, 2009, and 2010, with data from 7.4 million respondents, 955,000 workgroups, and 491 clients in 180 countries and 16 major industries.

Data used in this report were from U.S. clients only, with the exception of EPS and meta-analysis data.

THE GALLUP PANEL

The Gallup Panel recruits its panelists by calling prospective members via a random-digit-dial (RDD) frame of landline and cellphone numbers or using address-based sampling. Those who agree to join the Panel complete a short set of demographic questions about themselves. Upon receipt of this information, these individuals officially become members of the Gallup Panel.

Once individuals are part of the Panel, Gallup encourages them to remain members as long as they are willing and interested. Panel members agree to participate in an average of three surveys per month. Surveys are either administered by an interviewer (over the phone) or are self-administered (either by mail or via the Web, depending on the respondent's Internet accessibility).

RETENTION

As with any sample designed for longitudinal analysis, attrition affects the Gallup Panel. However, Gallup attempts to retain panelists for as long as possible and makes special efforts to retain individuals who are in the greatest danger of attrition. When panelists fail to respond to three consecutive surveys, they receive a postcard encouraging them to participate the next time they receive a survey. If they still do not respond after two additional surveys, they receive a courtesy call asking if there are any problems and encouraging their participation. After six consecutive missing survey responses, Gallup drops them from the Panel. Because of these efforts, attrition averages about 3% per month.

SIZE

Currently, the Gallup Panel consists of more than 60,000 individual members from more than 50,000 households. Gallup recruits new members on an ongoing basis to replenish demographic segments that have left the Panel.

RESPONSE RATES

The response rate for any individual survey conducted through the Gallup Panel ranges between 50% and 70%, depending on the length of the field period. However, to calculate the American Association for Public Opinion Research or Council of American Survey Research Organizations response rate, one must take into account all recruitment phases. The initial RDD recruit has a response rate of about 27%. Approximately 55% of those who agree to participate in the Panel ultimately are officially enrolled in the Panel. Thus, before Gallup conducts any individual study, the response rate is between approximately 7% and 10%.

GALLUP DAILY TRACKING

Gallup Daily tracking methodology relies on live interviewers and dual-frame telephone sampling (which includes listed landline and RDD cellular phone sampling to reach those in cellphone-only households) and uses a multi-call design to reach respondents not contacted on the initial attempt. Gallup interviewers employ a “most recent birthday” selection method for choosing adult respondents within a landline household. Gallup Daily tracking includes Spanish-language interviews for Spanish-speaking respondents, and interviews in Alaska and Hawaii.

Gallup weights the data daily by number of adults in the landline household to adjust for any disproportion in selection probabilities and by the respondents’ reliance on cellphones. Next, Gallup weights the data to compensate for nonrandom nonresponse, using targets from the U.S. Census Bureau for age, region, gender, education, ethnicity, and race. The resulting sample represents an estimated 95% of all U.S. households.

Gallup weights data summarized at the state, congressional district, and Metropolitan Statistical Area (MSA) level twice per year (for states) or once per year (for congressional districts and MSAs) to ensure that samples are representative of these areas.

U.S. WORKFORCE ENGAGEMENT STAGNANT – HOLDING BACK ECONOMY

Employee Engagement Among the U.S. Working Population, 2000-2012: Between 2000-2008, Gallup conducted its employee engagement research on the U.S. working population via the Gallup Panel, with sample sizes ranging from 991 to 23,572 full- and part-time workers. From 2009-2012, Gallup collected these data using Gallup Daily tracking, with sample sizes ranging from 2,182 to 151,290 full- and part-time workers.

Engagement Among Workers, State by State: This information comes from Gallup Daily tracking results from January-December 2012 with random samples of 151,284 full- and part-time workers, aged 18 and older. The margin of sampling error is ± 1 percentage point for the entire U.S., and ranges from ± 1 to ± 6 points across states.

ENGAGEMENT LEVELS, BY STATE							
	ACTIVELY DISENGAGED	NOT ENGAGED	ENGAGED		ACTIVELY DISENGAGED	NOT ENGAGED	ENGAGED
Louisiana	15.9%	47.1%	37.0%	Maryland	17.9%	52.3%	29.8%
Oklahoma	15.1%	49.1%	35.8%	Kansas	17.3%	53.0%	29.7%
South Dakota	17.1%	48.6%	34.3%	Virginia	16.6%	53.7%	29.7%
Georgia	17.1%	48.9%	34.0%	Idaho	14.1%	56.2%	29.7%
Arkansas	18.5%	47.6%	33.9%	Wisconsin	19.0%	51.4%	29.6%
South Carolina	17.8%	48.6%	33.6%	Tennessee	18.9%	51.8%	29.4%
Texas	16.8%	49.8%	33.4%	Massachusetts	17.9%	52.9%	29.2%
Nevada	17.4%	49.7%	32.9%	Alaska	18.4%	52.6%	29.0%
Wyoming	16.9%	50.3%	32.8%	Ohio	19.1%	51.9%	29.0%
Alabama	18.0%	49.2%	32.8%	Michigan	19.6%	51.7%	28.7%
North Dakota	16.9%	50.4%	32.6%	New York	19.6%	51.7%	28.6%
Florida	18.8%	48.7%	32.5%	Pennsylvania	20.0%	51.5%	28.6%
Mississippi	18.2%	49.6%	32.2%	District of Columbia	15.9%	55.6%	28.5%
Colorado	17.7%	50.1%	32.2%	Oregon	17.0%	54.5%	28.5%
Kentucky	19.8%	48.2%	32.1%	Connecticut	20.2%	51.3%	28.5%
West Virginia	19.3%	49.0%	31.7%	Indiana	18.8%	52.7%	28.5%
Missouri	17.4%	50.9%	31.7%	New Jersey	20.0%	51.7%	28.3%
Montana	14.7%	53.7%	31.6%	Utah	17.0%	54.8%	28.2%
Maine	18.5%	50.0%	31.5%	Washington	17.5%	54.7%	27.8%
New Mexico	17.2%	51.9%	31.0%	Rhode Island	21.0%	51.2%	27.7%
Arizona	18.6%	50.6%	30.8%	Illinois	19.5%	52.8%	27.7%
North Carolina	17.5%	52.2%	30.3%	New Hampshire	17.1%	55.4%	27.5%
Iowa	18.6%	51.2%	30.2%	Delaware	18.2%	54.4%	27.4%
California	17.1%	52.7%	30.2%	Vermont	19.7%	53.4%	26.9%
Hawaii	15.0%	55.0%	30.0%	Minnesota	18.4%	55.9%	25.7%
Nebraska	15.6%	54.4%	30.0%				

Engaged Workers Report Twice as Much Job Creation: See “Engaged Workers Report Twice as Much Job Creation,” by Jim Harter, Aug. 9, 2011, on Gallup.com.

A CLOSER LOOK AT UNEMPLOYMENT IN THE U.S., 2010-2012

This information comes from Gallup Daily tracking results from January 2010-December 2012 with random samples of 352,840 respondents in 2010; 353,492 respondents in 2011; and 353,570 respondents in 2012. All respondents were adults aged 18 and older. The margin of sampling error is ± 1 percentage point for any given year.

HOW EMPLOYEE ENGAGEMENT DRIVES GROWTH

2012 Employee Engagement Meta-Analysis: Gallup's most recent meta-analysis on employee engagement accumulated 263 research studies across 192 organizations in 49 industries and 34 countries. Within each study, Gallup researchers statistically calculated the business/work unit-level relationship between employee engagement and performance outcomes that the organizations supplied. In total, Gallup studied 49,928 business/work units including 1,390,941 employees. Gallup examined nine outcomes: customer loyalty/engagement, profitability, productivity, turnover, safety incidents, shrinkage, absenteeism, patient safety incidents, and quality (defects).

Individual studies often contain small sample sizes and idiosyncrasies that distort the interpretation of results. Meta-analysis is a statistical technique that is useful in combining results of studies with seemingly disparate findings, correcting for sampling, measurement error, and other study artifacts to understand the true relationship with greater precision. Gallup applied Hunter-Schmidt meta-analysis methods to 263 research studies to estimate the true relationship between engagement and each performance measure and to test for generalizability. After conducting the meta-analysis, Gallup researchers conducted utility analysis to examine the practical meaning of the relationships.

Increased Engagement Leads to Higher Earnings per Share: Of 111 publicly traded organizations in Gallup's 2012 Q¹² Client Database, the study included 49 organizations that met the following inclusion criteria: Gallup surveyed the majority of the organization (vs. partial organization or subsidiary), 2008-2012 earnings per share (EPS) data were available, Q¹² data in 2010 and/or 2011 were available, and the organization had a high Q¹² response rate (mean of 90%). Comparing each organization's engagement level with Gallup's 2012 Q¹² Client Database (2009, 2010, and 2011), Gallup ranked 12 of these 49 organizations in the top decile (top 10%), 17 in the top quartile (top 25%), and 32 below the top quartile. (The top-quartile grouping includes the top-decile organizations.) Gallup compared difference in EPS for each of the three groups with their industry equivalents (top competitors who were not Gallup clients).

WORKPLACE PERKS NO SUBSTITUTE FOR ENGAGEMENT

See "For Employee Wellbeing, Engagement Trumps Time Off" by Jennifer Robison in the *Gallup Business Journal*, Dec. 18, 2012. See also "Engaged Workers Immune to Stress From Long Commutes" by Jim Harter and Nikki Blacksmith, Feb. 7, 2012, and "Mondays Not So 'Blue' for Engaged Employees" by Jim Harter, July 23, 2012, both on Gallup.com.

EMPLOYEES ALLOWED TO WORK REMOTELY ARE MORE ENGAGED

This analysis used a Gallup Panel Workforce survey of 13,968 U.S. full-time workers that Gallup administered in July-August 2012.

MAGIC NUMBERS: HOW ORGANIZATION SIZE AND TEAM SIZE AFFECT ENGAGEMENT

Organization Size: This information is from a Gallup Panel Workforce survey conducted in 2012 with a sample size of 10,812 full-time employees, aged 18 and older.

Team Size: This information is from an analysis of employee engagement across team size using a subset of the Gallup 2012 Q¹² Client Database. The portion of the study used in this report came from team-level data from Gallup's 2011 Q¹² Client Database (2008, 2009, and 2010), including 940,891 business units spanning 491 clients with team sizes/span of control ranging from one to 500 employee respondents per team.

ENGAGEMENT, BY POSITION

See “U.S. Managers Boast Best Work Engagement” by Daniela Yu, Jim Harter, and Sangeeta Agrawal, April 26, 2013, on Gallup.com.

ENGAGEMENT, BY TENURE

This information is from an analysis of employee engagement across tenure using a subset of Gallup's 2012 Q¹² Client Database. Sample sizes were 1,343,150 for engagement by tenure level and 1,257,963 for tenure by wave of Q¹² administration. Respondents were full- and part-time workers, aged 18 and older.

ENGAGEMENT, BY GENERATION

Gallup used a Panel Workforce survey administered July-August 2010 to 13,100 U.S. respondents on the Gallup Panel for this analysis.

Gallup researchers matched Gallup Panel Workforce surveys from 2007-2010 to generate a longitudinal data set of 5,645 respondents who participated in all four years of the Panel for trend analysis.

ENGAGEMENT, BY EDUCATION

See “Americans Say Postsecondary Degree Vital, but See Barriers” by Valerie J. Calderon and Shane Lopez, Feb. 5, 2013, on Gallup.com.

ENGAGEMENT, BY GENDER

Engagement Levels for Men and Women: This information is from Gallup Daily tracking, January-December 2012, with random samples of 151,283 adults, aged 18 and older. Margin of sampling error is less than ±1 percentage point.

Q¹² Item Analysis of Employee Engagement Across Gender: Gallup conducted this analysis using Gallup's 2013 Q¹² Client Database with data from 2010-2012.

SELECTION AND ENGAGEMENT

See the “Development and Validation of a Selection Tool That Predicts Engagement,” by Yongwei Yang, Nikki Blacksmith, Joe Streur, Sangeeta Badal, Jim Harter, and Paula Walker; paper presented at the 25th Annual Society for Industrial and Organizational Psychology conference, April 2010.

Negative Emotional Experiences chart is from Gallup–Healthways Well-Being Index and Gallup Daily tracking.

STRENGTHS AND ENGAGEMENT

See “Making Strengths-Based Development Work” by Jim Asplund and Nikki Blacksmith in the *Gallup Business Journal*, Aug. 4, 2011.

Also see “When Americans Use Their Strengths More, They Stress Less” by Jim Asplund, Sept. 27, 2012, on Gallup.com.

WELLBEING AND ENGAGEMENT

Engaged Workers Lead Healthier Lives: See “In U.S., Engaged Employees Exercise More, Eat Healthier” by Daniela Yu and Jim Harter, Jan. 16, 2013, and “Actively Disengaged Workers and Jobless in Equally Poor Health” by Jim Harter and Sangeeta Agrawal, April 20, 2011, on Gallup.com.

Employees With High Wellbeing Have Lower Healthcare Costs: See “Unhealthy, Stressed Employees Are Hurting Your Business,” a Q&A with Tom Rath and Jim Harter in the *Gallup Business Journal*, May 22, 2012.

Engaged and Thriving Employees Are Resilient and Agile: Gallup researchers merged two independent Gallup Panel surveys to form a longitudinal sample of 8,494 adults, aged 18 and older. Gallup administered these two Health Experience surveys March/April 2011 and February/March 2012.

Gallup researchers used generalized linear model (GLM) estimation methods to study the predictive relationships of wellbeing and engagement on multiple outcome variables. Researchers also included a wellbeing and engagement interaction term in the model to study if the effects were additive or multiplicative beyond just engagement or wellbeing. Gallup researchers controlled for the following demographic characteristics in each of the GLM estimations: age, gender, race, marital status, income (log), and education.

LINKING EMPLOYEE ENGAGEMENT TO CUSTOMER GROWTH

See “The Business Impact of Human Emotions,” a Q&A with Ed O’Boyle, in the *Gallup Business Journal*, Nov. 1, 2012.

See “The Power of the Employee-Customer Encounter,” a Q&A with Ed O’Boyle, in the *Gallup Business Journal*, Nov. 15, 2012.

See “When Engaged Employees Meet Engaged Customers,” a Q&A with John Fleming and Jim Asplund, in the *Gallup Business Journal*, Feb. 14, 2008.

See “Your Employees Don’t ‘Get’ Your Brand” by John Fleming and Dan Witters, in the *Gallup Business Journal*, July 26, 2012.

See “Creating Impact in B2B Relationships” by Ed O’Boyle and Craig Kamins, in the *Gallup Business Journal*, March 27, 2012.

GET MORE FINDINGS FROM GALLUP



Visit Gallup.com



Like Gallup



Connect with Gallup



Follow @Gallup. Join the conversation about State of the American Workplace using #EmployeeEngagement.

GALLUP®

World Headquarters

The Gallup Building
901 F Street, NW
Washington, D.C. 20004

t +1.877.242.5587

f +1.202.715.3045

www.gallup.com