



Employee Satisfaction vs.
Employee Engagement:

Are They the Same Thing?

An ADP White Paper

Executive Summary

There continues to be a lot of confusion in the HR industry around employee satisfaction and employee engagement. HR professionals have long sought to accurately measure employee satisfaction but, more recently, the focus has shifted to employee engagement. So is employee engagement just a new buzz word for job satisfaction? The answer is no. Satisfaction and engagement are two important, yet distinct measurements that provide valuable and actionable insights into the workforce. The problem is that too many organizations still view them as one and the same thing. As a result, they may be missing critical opportunities to foster the kind of workforce engagement that drives innovation, boosts performance, and increases competitive success.

Some organizations think they don't have to worry about engagement because turnover is low and employees seem satisfied. While employee satisfaction is important to maintaining a positive work environment, is it enough to help you retain top performers and drive bottom-line impact? Probably not. By focusing more on employee engagement, organizations are more likely to maintain a strong, motivated workforce that is willing to expend extra effort, drive business goals, and deliver a return on HR's talent management investment.

This paper explores the differences between engagement and satisfaction, the importance of measuring engagement over time, as well as actionable strategies for maximizing workforce engagement and, subsequently, driving higher performance across the organization. It addresses critical questions such as:

- Do you want satisfied employees or engaged employees?
- Can you have one without the other?
- Which has a greater impact on the organization's bottom line?
- What are some proven techniques for addressing both satisfaction and engagement?

Lost productivity of actively disengaged employees costs the U.S. economy \$370 billion annually.

2010 Gallup Employee Engagement Survey



Employee Satisfaction and Employee Engagement: Different but Related Measurements

For decades, HR professionals have been concerned about workforce job satisfaction. This can include elements such as, employees' level of contentment with their organizational culture, work environment, and overall compensation. Employee satisfaction is typically measured through surveys designed to gather opinions about HR-related issues like bonus programs, benefits, and work/life balance, so HR leaders can implement changes designed to increase morale and, theoretically, drive higher retention. Employee engagement is a newer concept that has been adopted by HR professionals within the past decade as global competition skyrocketed, "lifetime employment" faded into oblivion, and organizations looked to more directly align employee performance with business goals.

While the exact definitions of employee satisfaction and employee engagement may differ from organization to organization, HR professionals would generally agree that satisfaction refers to how employees feel — their "happiness" — about their job and conditions, such as compensation, benefits, work environment, and career development opportunities. Engagement, on the other hand, refers to employees' commitment and connection to work as measured by the amount of discretionary effort they are willing to expend on behalf of their employer. Highly engaged employees go above and beyond the core responsibilities outlined in their job descriptions, innovating and thinking outside the box to move their organizations forward — much like volunteers are willing to give their time and energy to support a cause about which they are truly passionate.

Can an organization have a satisfied employee who is not engaged and vice versa? Chances are an engaged employee is also a satisfied employee; few people are willing to go the extra mile for their employer unless they are fundamentally happy in their jobs. However, it is certainly possible to have a satisfied employee with a low engagement level — someone who shows up to work and goes through the motions, but does not demonstrate a lot of initiative or put in a lot of extra effort to further the success of the organization. That's why focusing on satisfaction without addressing engagement is unlikely to foster the kind of exceptional workforce performance that drives business results.

Employee Satisfaction and Employee Engagement: What Do They Mean?

Employee Satisfaction: A measurement of an employee's "happiness" with current job and conditions; it does not measure how much effort the employee is willing to expend

Employee Engagement: A measurement of an employee's emotional commitment to an organization; it takes into account the amount of discretionary effort an employee expends on behalf of the organization

Understanding the Impact of Employee Engagement on the Bottom Line

Why should organizations care about their workforce engagement level? The primary goal of a business is to make money; even nonprofit organizations exist to fund their specific causes. This means that organizations need to get employees at all levels focused on driving revenue. Many studies have linked employee engagement to workforce performance, customer satisfaction, productivity, absenteeism, turnover, and support of the organization—all of which can significantly impact on the bottom line.¹

A 2011 Corporate Leadership Council (CLC) Human Resources Insight explores how organizations can create and leverage a sustainable employee engagement strategy. The study reveals that 70 percent of business leaders surveyed believe employee engagement is critical to achieving business objectives.² However, despite widespread belief in the importance of employee engagement and significant investments by HR, only 20 percent of these business leaders feel their engagement initiatives are driving business outcomes.³ This may be because most organizations approach employee engagement as a static rather than a dynamic problem, measuring engagement as a point-in-time level. Such static views do not account for past experience and future expectations that may influence an employee's engagement.⁴

These findings suggest the need for organizations to develop new measurement approaches and more effective engagement strategies in order to affect long-term business improvements. But is the investment worth it? Some recent findings suggest that it is. A 2011 Corporate Leadership Council study revealed that performance against revenue expectations is 23 percent greater for companies with high engagement capital compared to those with low engagement capital.⁵ In addition, a recent Gallup study found that lost productivity of actively disengaged employees costs the U.S. economy \$370 billion annually.⁶ Seizing the opportunity to capture these kinds of significant performance gains — or avoid staggering productivity losses — through effective employee engagement strategies simply makes sound business sense.

Performance against revenue expectations is 23% greater for companies with high engagement capital compared to those with low engagement capital.

2011 Corporate Leadership Council HR Engagement Research Survey

1 Society for Human Resource Management, 2012 Employee Job Satisfaction and Engagement: How Employees Are Dealing with Uncertainty, October 2012, 41.

2 Corporate Leadership Council, HR Engagement Research Survey, 2011, 5 <http://www.executiveboard.com/exbd-resources/pdf/human-resources/corporate-leadership-council/building-engagement-capital.pdf>.

3 Corporate Leadership Council, HR Engagement Research Survey, 2011, 5 <http://www.executiveboard.com/exbd-resources/pdf/human-resources/corporate-leadership-council/building-engagement-capital.pdf>.

4 Brian Kropp, "A New Approach to Employee Engagement," The Gauge: CEB's Employee Engagement Blog, 2012, <http://cebengagement.com/blog/capital-approach-to-engagement-1/>.

5 Corporate Leadership Council, Building Engagement Capital: Creating and Leveraging Sustainable Employee Engagement, CLC Human Resources Insight, 3 https://clc.executiveboard.com/Public/PDF/CLC_HR_Program_Brochure.pdf.

6 Gallup, Employee Engagement Survey, 2010.

Employee Engagement: A Reflection of the Human Condition

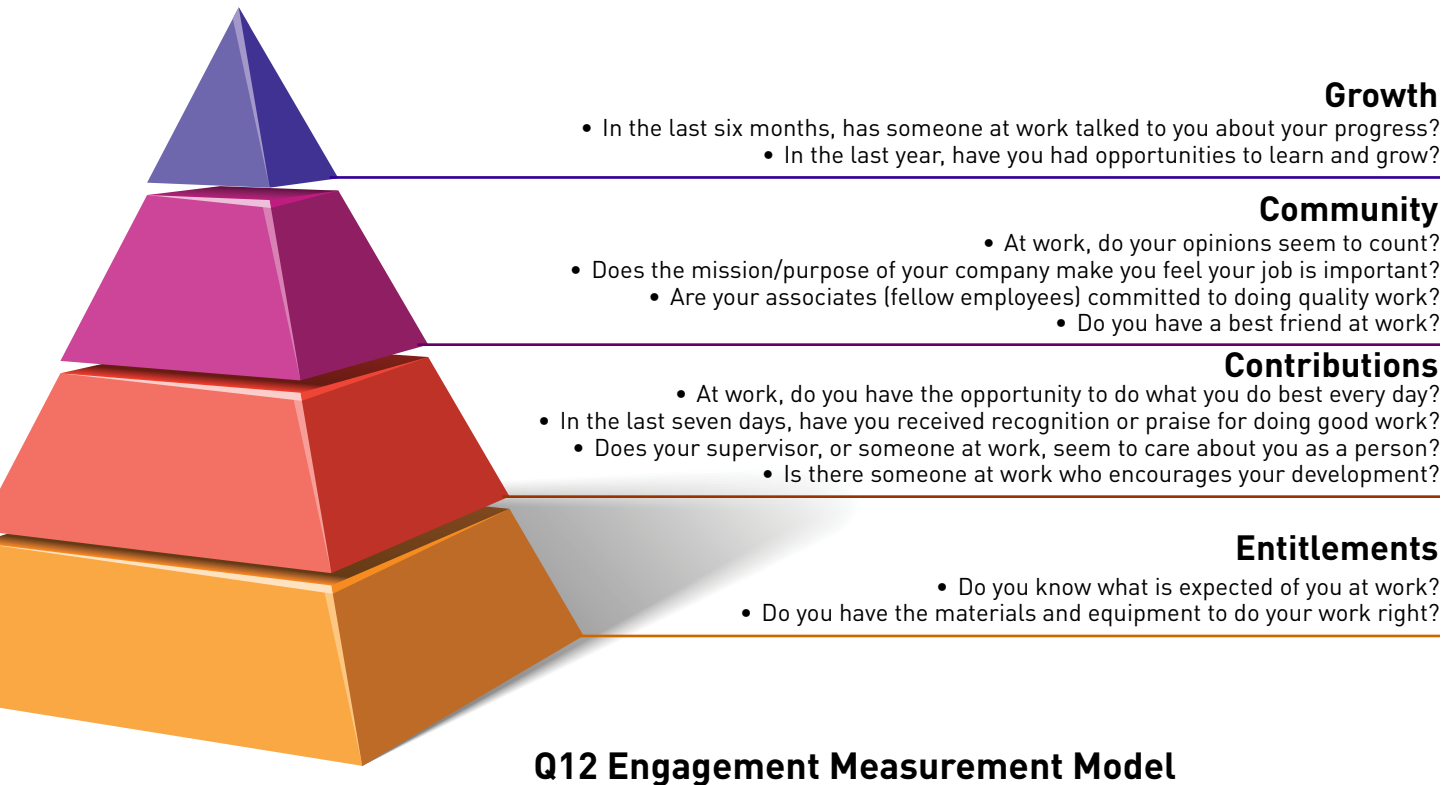
Employee engagement is a concept that is rooted in science and, at the most fundamental level, reflects the human condition itself. Consider Gallup's Q12 instrument, one popular and well-established survey tool used to measure employee engagement. The instrument includes 12 items, or statements, which are designed to measure the extent to which employees are engaged in their work and which are found to be actionable at the supervisor or manager level in an organization. Current standard practice is to ask each employee surveyed to rate each statement (a census survey — median participation rate is 85%) shown in Figure 1 using six response options (from 5=strongly agree to 1=strongly disagree; the sixth response option — don't know/does not apply — is unscored).⁷ The Q12 starts with more employee-centric, satisfaction-oriented "what's in it for me" statements and gradually shifts to more altruistic, community-centered, "what's in it for the organization as a whole" statements to capture a more complete picture of the employee's engagement level.

Many decades of research have gone into development and validation of Gallup's Q12 employee engagement instrument. The joint work of Dr. George Gallup, a pioneer in the development of scientific sampling processes to measure popular opinion and a renowned researcher on well-being, and Dr. Donald O. Clifton, a psychologist and professor who studied the causes of success in education and business, the Q12 is based in large part on social science and statistics. Its validity is further underscored when you note the instrument's similarities to psychologist Abraham Maslow's Hierarchy of Needs (see Figure 1), a construct which suggests that humans are motivated to fulfill basic needs before moving on to other, more advanced needs.

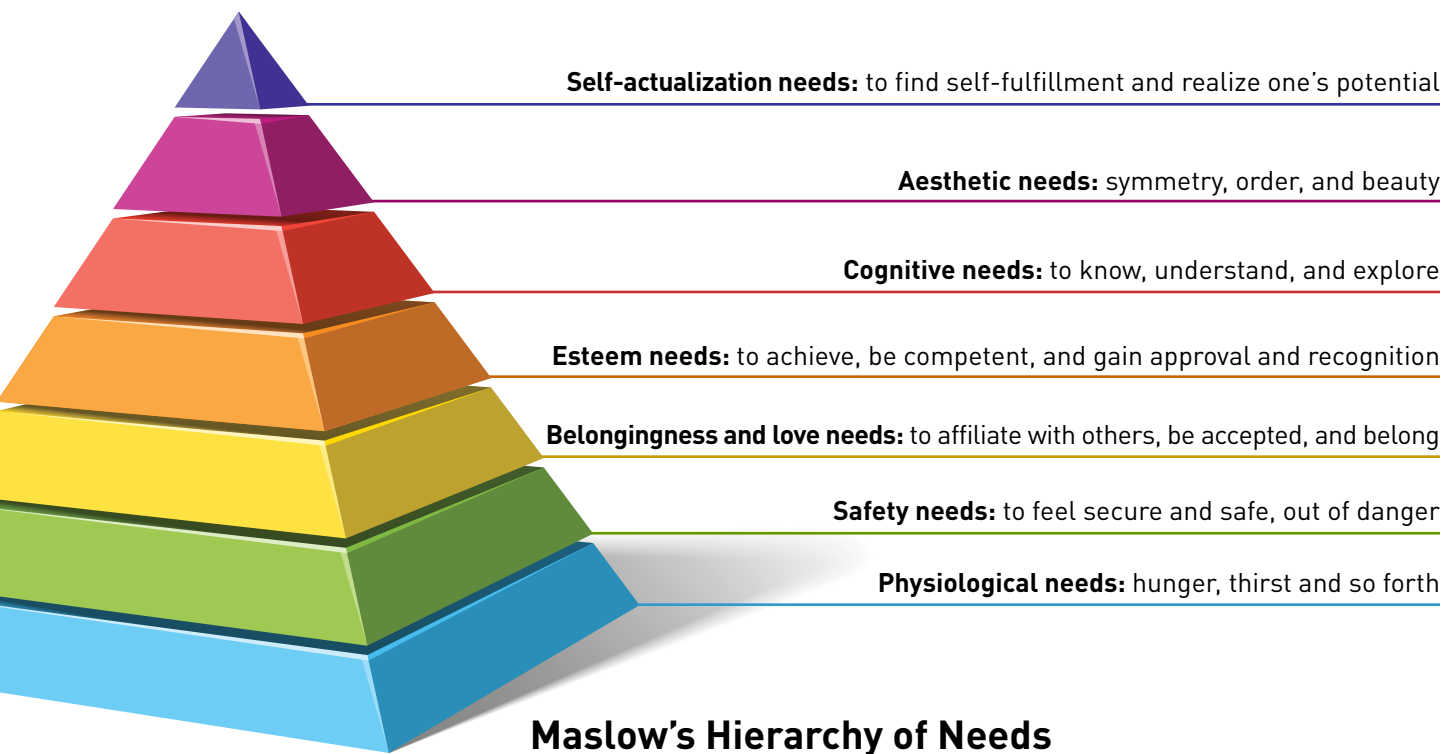
It makes sense that this human motivation process would apply in the workplace just as in other areas of life. By motivating employees beyond basic satisfaction to achieve higher levels of engagement, HR professionals can more significantly impact business outcomes and drive bottom-line results.

⁷ James K. Harter, Ph.D., Emily A Killham, M.A., and James W. Asplund, M.A., of Gallup and Frank L. Schmidt, Ph.D., of University of Iowa, Q12© Meta-Analysis, Gallup Consulting, 2006, 11.

Figure 1: Parallels Between Gallup's Q12 Engagement Measurement Model and Maslow's Hierarchy of Needs



Source: Gallup Q12 Instrument and Maslow's Hierarchy of Needs, <http://psychology.about.com/od/theoriesofpersonality/a/hierarchyneeds.htm>.



A Closer Look at the Relationship Between Satisfaction and Engagement

In today's uncertain economic climate, both employee job satisfaction and employee engagement are important for business sustainability. Top-performing organizations understand that measuring employees' contentment levels and emotional commitment to the organization on a regular basis can put them at a competitive advantage. According to the Society for Human Resource Management (SHRM) 2012 Employee Job Satisfaction and Engagement Survey, 81% of U.S. employees reported overall satisfaction with their current job.⁸ But despite these high satisfaction levels, the same survey revealed that employees were only moderately engaged (3.6) on a scale of 1 to 5, where 1 is highly disengaged, 3 is moderately engaged and 5 is highly engaged.⁹

A closer look at the SHRM findings sheds valuable light on the relationship between satisfaction and engagement. The SHRM study asked participants to identify the Top 10 Contributors to Employee Job Satisfaction. Not surprisingly, since satisfaction measures an employee's happiness with current job and conditions, the top contributors focused more on employee-centric, "what's in it for me?" factors like job security, opportunities to use skills and abilities, the organization's financial stability, relationship with immediate supervisor, compensation and benefits.

Figure 2: Top 10 Contributors to Employee Job Satisfaction

Factor Contributing to Job Satisfaction	% of Respondents Rating Factor as "Very Important"
Job security	63%
Opportunities to use skills and abilities	62%
Organization's financial stability	55%
Relationship with immediate supervisor	55%
Compensation	54%
Benefits	53%
Communication between employees and Senior management	53%
The work itself	53%
Autonomy and independence	52%
Management's recognition of employee performance	49%

Source: Society for Human Resource Management (SHRM) 2011 Employee Job and Satisfaction Survey

SHRM's study of top engagement conditions, however, tells a somewhat different story. When asked about the conditions conducive to maximizing engagement — their emotional commitment to their employers — employees ranked more altruistic, "good for the organization" factors at the top of the list. Respondents ranked the work itself, relationships with co-workers, opportunities to use skills and abilities, relationship with immediate supervisor, and contribution of work to the organization's business goals above more employee-centric factors like variety of work and the organization's financial stability.

⁸ Society for Human Resource Management, 2012 Employee Job Satisfaction and Engagement: How Employees are Dealing with Uncertainty, October 2012, 3.

⁹ Ibid.

Figure 3: Top 10 Conditions Under Which Engagement Can Be Maximized

Fact Engagement Condition or Contributing to Job Satisfaction	% of Respondents "Satisfied" or "Very Satisfied"
The work itself	76%
Relationship with co-workers	76%
Opportunities to use skills and abilities	74%
Relationship with immediate supervisor	73%
Contribution of work to organization's business goals	71%
Autonomy and independence	69%
Meaningfulness of job	69%
Variety of work	68%
Organization's financial stability	63%
Overall corporate culture	60%

Source: Society for Human Resource Management (SHRM) 2011 Employee Job and Satisfaction Survey

So where should employers focus to maximize both employee satisfaction and engagement in order to get the biggest bang for their compensation spend? To find out, we honed in on the drivers that received top rankings for both satisfaction and engagement among SHRM survey participants.

Figure 4: Engagement and Satisfaction Drivers

Combined rankings ordered by lowest total rankings in both studies (NR = Not Ranked in Top 10)

Engagement Ranking	Factor	Satisfaction Ranking
3	Opportunities to use skills and abilities	2
4	Relationship with immediate supervisor	4
1	The work itself	8
NR	Job security	1
9	Organization's financial stability	3
2	Relationships with co-workers	NR
6	Autonomy and independence	9
5	Contribution of work to organization's business goals	NR
NR	Compensation	5
NR	Benefits	6

Source: Society for Human Resource Management (SHRM) 2011 Employee Job and Satisfaction Survey

Figure 4 shows the smallest spread between satisfaction and engagement rankings for the following factors:

- Relationship with immediate supervisor
- Opportunities to use skills and abilities
- Autonomy and independence

These findings suggest that HR focus in these areas may have a positive impact on both satisfaction and engagement levels, thereby driving higher overall performance and bottom-line results.

Recommendations for Addressing Both Employee Engagement and Satisfaction

Understanding the key drivers of both satisfaction and engagement is a great start. The next step is to put actionable strategies in place to optimize these drivers for employees across the organization. The following recommendations can help HR leaders focus their budget and resources on initiatives aimed at fostering mutually beneficial manager/employee relationships, creating opportunities for leveraging employee skills and abilities, and encouraging autonomy and independence in order to effect maximum organizational change.

1. Provide Career Development and Opportunity

In order to continually challenge employees and provide ongoing career development opportunities, organizations need to transform performance management from a static, once-a-year event into a dynamic ongoing process. HR leaders need to implement a framework in which employees and managers work together in setting weighted goals, competencies, and development activities that meet individual needs and drive corporate objectives. To ensure follow-through and optimize engagement, employees and managers should meet periodically throughout the year — not just at the annual performance review — to discuss progress against development activities.

Even if budget constraints limit rewards like bonuses and salary increases, managers can still motivate employees by presenting them with opportunities that expand their expertise, exercise their leadership skills, and expose them to other areas of the business.

2. Set Clear Consistent Expectations

Effective performance management hinges on the ability to continually assess individual and collective progress toward realizing key strategic initiatives. This starts by having employees and managers work together to set clear, measurable individual goals that align with corporate objectives and reflect individual talents, interests and needs. This way, employees come to work every day with clear expectations of what they are supposed to accomplish, how their performance will be measured and how their work contributes to the organization's overall success.

3. Get Feedback from Managers in the Moment

It is also imperative that managers check in with employees throughout the year to discuss progress toward goals, balancing acknowledgement of accomplishments with constructive coaching to help them be successful. In other words, managers and employees need to discuss engagement on a regular basis as part of an open, honest relationship built on trust. This approach helps to ensure that employees stay productive and engaged while managers can successfully keep their teams focused on strategic priorities for bottom-line impact.

Conclusion

While employee satisfaction and employee engagement are both critical to maintaining a happy and productive workforce, achieving satisfaction without engagement will have significantly less impact on business results. After all, engaged employees are emotionally committed to working hard, demonstrating initiative, and expending extra discretionary effort — and doing so in alignment with strategic priorities to move the organization forward. It's no wonder that employee engagement has been associated with higher workforce productivity and customer satisfaction as well as lower absenteeism and turnover.

To start reaping bottom-line benefits that a truly engaged workforce promises, organizations must adopt a more dynamic approach to both satisfaction and engagement that incorporates more frequent measurements — not just a once-a-year snapshot — to identify trends and create effective change. By taking the satisfaction and engagement pulse of employees periodically throughout the year, HR leaders can develop and implement engagement initiatives and management strategies that take into account not only employees' present perceptions, but also their past experiences and future expectations. The end result is a more sustained increase in employee engagement that drives competitive success and bottom-line results.

HOW CAN TALENT MANAGEMENT TECHNOLOGY HELP?

Talent management technology provides a framework and tools to capture and measure the behaviors and activities that can drive employee engagement. Key capabilities include:

- **Goal Setting and Alignment:** Facilitate employee/manager collaboration to define clear performance goals that align with corporate objectives
- **Multi-Rater Feedback:** Capture feedback from peers and managers year-round to recognize employee achievements and provide effective coaching
- **Goal Tracking:** Track progress against goals throughout the year to keep employees focused on priorities and eliminate surprises
- **Career Planning:** Empower employees to participate in creating a forward-looking career path
- **Professional Development:** Compare current competencies with those needed for future assignments and recommend development activities to fill in gaps
- **Insightful Analytics:** Discover meaningful correlations, patterns and trends to inform talent management strategies that drive engagement



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