

**Group Benefits**

# HAPPINESS AND THE BOTTOM LINE

The Happy Worker Prescription

The Lincoln National Life Insurance Company  
Lincoln Life & Annuity Company of New York

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## Introduction

Lincoln Financial Group is a leader in helping employers protect their employees' financial futures through high-quality employee benefits and services. As a leading provider of disability benefits and absence management services, we believe effectively managing absences requires a comprehensive approach to health and productivity; and we are committed to promoting practical tools that will help employers maximize their bottom line while improving the workplace environment for employees. We advocate going beyond traditional risk-management perspectives, suggesting instead that it is possible to improve an employer's competitive advantage by creating an environment that promotes worker health and happiness.

In this white paper, we introduce the "Happy Worker Prescription." We review the research literature connecting employee happiness and productivity, explore the components of happiness, and describe why the findings are critical to employer success in the modern economic environment. We conclude with a 10-step "prescription" for maximizing employee happiness while improving the bottom line.

### Key highlights:

- 1 In recent years, employees have felt more stressed, less secure and less satisfied. The result is greater workplace absence, higher turnover and decreased productivity.

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- 2 Employers play a key role in helping employees manage stress, achieve work-life balance and obtain greater well-being in the workplace.

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- 3 By creating a positive workplace culture that promotes happiness among employees and improves professional relationships, employers can effectively reverse negative trends in productivity, while improving profits.

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- 4 Composed of 10 simple steps, the Happy Worker Prescription is a strategy to help employers create a more positive, productive workplace.

## Happiness: A crisis in the workplace

Do your employees love their work? Do they consistently give all they can? Do they collaborate well and find their coworker relationships fulfilling? Do they find their work meaningful, leaving at the end of the day with a sense of accomplishment?

If so, you have workers with all the key elements of happiness. Generally, they will be more satisfied with their lives and have stronger prospects for enjoying better health, living longer and maintaining solid interpersonal relationships. In Human Resources, they are the most sought-after recruiting candidates. Their productivity is higher, and they often bring a contagious sense of creativity and energy to the workplace.

But, they are also in the distinct minority. In fact, only one in five workers feel this way. No wonder employers face a crisis.

Between the worldwide economic crises of the last decade, high rates of unemployment, an aging workforce and ever-increasing global competition, employers have been hard-pressed to maintain competitive advantage. Challenging economic times have led employees to feel more stressed, less secure and less satisfied, with the newest generation of workers being less invested in company and career than in personal growth.

We believe that a key to facing these challenges is understanding employee happiness as an important driver of workplace productivity.

## The importance of employee happiness on overall productivity

A recent Healthways-Gallup Well-Being Index study showed a direct connection between well-being and employee performance. It found employees with low well-being were seven times more likely to be absent from work, twice as likely to give themselves low performance ratings and seven times as likely to look for a new job [1].

The study also found examples of significant productivity loss due to presenteeism—employees reporting to work when they are not feeling well; or being distracted due to personal, financial or family concerns. In fact, 60% of respondents said they had gone into work one or more days when sick in the preceding three months. While most employees said they felt internal pressure to go to work, some indicated that pressure from a supervisor or manager contributed to their decision to report to work when ill. What have we learned? Conditions like work-life imbalance, financial security concerns, unmanageable workloads and poor job conditions have a negative effect on employees' physical health, which in turn leads to increased presenteeism and lost productivity [2].

### The happy minority



Only 1 in 5 workers feel happy at work.

Across every measure, we know being happy leads to positive outcomes.

Happiness is a strong predictor of reduced morbidity and improved overall health status [3].

Happier people are more likely to experience career success [4] and less likely to experience periods of unemployment [5].

Happier people make better managerial decisions, have better interpersonal relationships and cope better with organizational change at work [6].

A happier and healthier workforce positively impacts costs, as well as employee energy and engagement.

Happier employees who are more satisfied with their jobs and are more committed to the organization are less likely to quit [7]; less likely to be absent from work [8]; less likely to engage in counterproductive behaviors at work [9]; and less likely to suffer depression, anxiety and burnout [10].

Happier workers focus on the positive and are less apt to compare themselves to their coworkers.

By working to improve employee happiness, employers can enhance company performance while improving their employees' lives. Teams with higher average happiness generate more profit, produce higher-quality work and have higher overall customer satisfaction scores [11, 12]. Importantly, these results apply to small as well as large employers, and across company settings [13].

In short, employers can't afford to ignore their workforce's happiness. The good news? Since many of these problems are the result of workplace conditions, employers can play a key role in solving them.

## Happiness explained

But what is happiness? While happiness is often thought of as the experience of pleasant emotion and a general satisfaction with life, we know true happiness requires more than a pleasant life. Individuals need to have a sense of purpose, they need positive relationships and they need to achieve meaningful goals.

The study of happiness in the workplace has become confused by separately evaluating job satisfaction, employee engagement, flow and other constructs. Martin Seligman attempted to solve this problem by developing the PERMA model, which acknowledges and incorporates all the elements into one model. He chose to call the outcome "well-being" [14].

In an effort to tie the research to common sense and everyday experience, and to distinguish the impact of a positive work environment from measures of health, we believe the best solution is to use the simple term "happiness."

Happiness, as we define it, encompasses Seligman's five key elements of well-being: Pleasure, Engagement, Relationships, Meaning and Accomplishment – PERMA<sup>1</sup>

Happiness is multifaceted. One element that has historically been a focus of study is job satisfaction, which reflects "Pleasure" in the PERMA model: "How much do I like my job?" By itself, however, satisfaction is an insufficient measure of happiness—while satisfied workers have more positive feelings toward their workplace, they are not necessarily more productive [15].

<sup>1</sup>Martin Seligman, a key innovator in the field of positive psychology, coined the PERMA model [14]. He argued that "happiness" is a more narrow term that applies only to pleasant emotions, preferring "well-being" for the broader construct. We believe the simpler path is to understand happiness more broadly, as we really experience it.

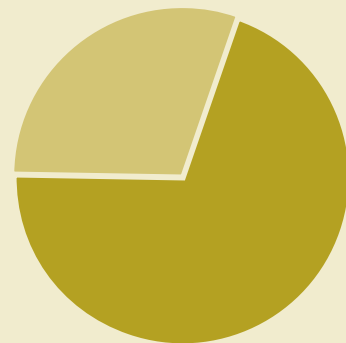
Another element is engagement: “How much of myself do I invest in my work?” Engagement involves both organizational commitment—“How likely am I to stay with my employer?”—and job involvement—“How important is my job to my sense of identity?”

Thought leaders in the field of positive psychology include another aspect, which is a type of absorption called “flow”: “When I am working, I think about nothing else.” [16] Being lost in mindless activities is not flow; one is in flow when one is absorbed in his or her work and also challenged by it. It is the experience of putting all one’s skills to use in a creative endeavor, and learning and growing beyond limits while he or she does it [17, 18]. As it is used here, engagement actually reflects three of the elements of PERMA: engagement, meaning and accomplishment.

Positive psychology defines engagement as, “a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption.” [19]

A final, often overlooked, component of happiness at work concerns coworker relationships. Considering how much time is spent at work, relatively few studies have focused on the relationships built there. Existing studies demonstrate the importance of those relationships [20], with a study by Rath [21] indicating that people who report having a best friend at work are seven times more likely to be engaged.

Jobsite, a job search website, conducted a survey of 1,000 workers in which 70% of respondents said having work friends is the most important part of being happy on the job [22].



**70%**

say friends are the most  
important part of  
on-the-job happiness.

## Build happiness with positive experiences and boost bottom-line ROI

Can employers have an impact to create a happier—and more productive—workforce? Our answer is a resounding “yes!” Because as much as half of happiness is preprogrammed at the person level—some workers are, as a general rule, happier than others—one way an employer can impact happiness is through hiring practices. But employers can have as much or more impact by creating an environment that leverages their employees’ natural tendencies and encourages them to act in ways that maximize happiness.

Job satisfaction can be enhanced in an environment that promotes positive experiences, including recognition for achievement; responsibility; and advancement [23]. Diener, Sandvik and others [24] have found the amount of time someone experiences positive emotion is a strong predictor of overall happiness. Some people are naturally more prone to happiness, but happiness can also be built by exposing people to more day-to-day positive emotional events.

Environments that foster positive experiences lead to more energetic employees who are more invested in their work.

Other factors that contribute to employee happiness are the ability to make progress toward individual goals and to employ personal strengths in one’s work [25].

“While salary and perks are important contributors to employee happiness, what really makes employees rank their company well is the type of work they do, how well they are managed, and how well they are recognized for their work [26].”

### How managers can help

Managers, far and away, are the biggest influencers of the work experience. Managers and leaders can help employees connect their daily accomplishments to the larger business strategy—they are also the individuals who can put the Happy Worker Prescription into action.

Not surprisingly, leadership behavior affects employee happiness. You can reduce turnover, improve motivation and work quality, and enhance the financial performance of a company by implementing high-performance work practices.

## The solution:

### The Happy Worker Prescription

To reverse negative trends and capitalize on the value of employee happiness, employers must create a positive workplace culture that promotes happiness among employees and improves interprofessional relationships—a shift facilitated by what we call the Happy Worker Prescription. The Happy Worker Prescription is a way to achieve the increased productivity and higher profits that come from a more engaged—and happier—workforce.

Employers can use the Happy Worker Prescription to increase engagement and improve profits.

#### Key tenets of the Happy Worker Prescription:

- Invest in employees' relationships with their managers
- Celebrate strengths
- Build a culture of positivity

- 1 Make sure managers understand that employee happiness impacts productivity and helps keep your workforce fully engaged and productive.
- 2 Hire happy people—The strongest absence management program is one that emphasizes the importance of hiring the right people and then investing in them to help them be their best at work. Taking this approach will help you manage workplace issues before they translate into absences.
- 3 Invest in managers' emotional intelligence. Develop workplace training to help managers identify and assess emotions and create a positive environment for employees. Help your managers learn to identify and maximize individual and team strengths.
- 4 Provide recognition in the way the employee values most. Some workers appreciate public acknowledgment; others don't. It is surprising how seldom managers consider that distinction. Don't know an employee's preference? Ask.
- 5 Provide opportunities to socialize, and encourage it. While too much socializing can interfere with productivity, if there is none at all, your employees are missing a key ingredient for workplace happiness. Here's a simple tool: Encourage face-to-face communication. Never send an email when you can make a call, and never make a call when you can speak in person. Nonverbal cues can be a critical component of a conversation.



- 6 Provide benefits that are important to your employees and enhance their financial security—and emphasize the value of those benefits. Outline the features—and the significance—of programs such as disability insurance and EAP services. Employees who understand their benefits feel appreciated and more secure, and those positive feelings can help minimize stress and improve productivity.
- 7 If there are issues with performance, address them directly, starting with the positive. Always discuss what went well first. If you must give corrective feedback, avoid the word “but,” which has the effect of negating all that came before it.
- 8 If an individual or the team is showing signs of stress, listen without judgment. Use referrals to EAPs or other services to help them manage personal issues or stress.
- 9 If you have done something wrong, apologize. Companies can inadvertently encourage negativity with the impression that “I’m sorry” creates liability. Accepting accountability and settling disputes through direct communication is almost always the best approach. Use your HR team to help mediate conflicts or address other concerns with the work environment.
- 10 Express interest in staff well-being, including when an employee is out of work. You don’t have to ask about private health information in order to say, “Let me know if there is anything I can do for you,” or to ask, “How can we support you?” When employees need to be out of work for extended periods, call and tell them they are missed. Workers who feel valued are less likely to be afraid to return to work, and are more likely to return to work sooner and be more energized upon their return.

**Despite the complexity of the underlying research, putting the Happy Worker Prescription into practice is not complicated. By following these simple steps, everyone benefits:**

<b>The employer</b>	<ul style="list-style-type: none"> <li>• Happier employees benefit the company and ultimately drive the bottom line.</li> </ul>
<b>The employee</b>	<ul style="list-style-type: none"> <li>• Happier employees will likely be healthier and more satisfied with life in general.</li> </ul>
<b>The employee’s family and community</b>	<ul style="list-style-type: none"> <li>• Happier workers have the potential to be better parents, friends and citizens.</li> </ul>

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