



The Impact of COVID-19 on Employee Engagement

A Quantum Workplace Benchmark Report and Analysis



QUANTUM
WORKPLACE



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Overview

At the turn of 2020, the COVID-19 virus began rapidly disrupting lives, economies, and workplaces—and continues to do so.

As the virus began to surge in the United States, federal and state governments started to implement strict lockdowns and social distancing guidelines. Many workers have lost their jobs. “Essential employees” have faced new standard operating procedures and restrictions to protect the health and wellbeing of workers and customers. And many organizations moved their entire workforces to temporary remote work and telecommuting.

This global pandemic has forced businesses to make drastic changes to the workplace, and as a result, caused complete disruption to the employee experience.

With nearly 20 years of experience measuring and analyzing employee engagement among 8,500 organizations annually, we set out to analyze the impact of this unavoidable disruption on the employee experience.

Research Purpose

Using data from the 2019 and 2020 [Best Places to Work](#) survey, we investigated the impact of the COVID-19 global pandemic and subsequent economic fallout on trends in employee engagement and workplace perceptions.

More specifically, we studied the trends in employee engagement, how they correlate with economic factors, the areas of engagement most impacted, and the types of workers most affected by the crisis. **The primary purpose of this research was to understand how periods of crisis impact the employee experience.**

Quantum Workplace’s Best Places to Work survey contest has been running for the better part of a decade, evaluating the employee experiences that make organizations successful.

In 2019, we collected more than 700,000 responses across more than 8,500 organizations. In the first five months of 2020, we had more than 470,000 responses across 6,000 organizations. More information about our methodology and survey can be found on [page 22](#) of this report.

Research Questions

We used these data sources to examine the following research questions:

- How has COVID-19 impacted employee engagement?
- How have the deteriorating economic and labor conditions impacted employee engagement?
- What areas of employee engagement changed most dramatically during the crisis?
- How have different types of workers been differentially impacted by the COVID-19 crisis?

Executive Summary

Employee Engagement Trends

How has the COVID-19 crisis impacted employee engagement?

As the COVID-19 crisis hit the United States and caused detrimental damage to people's lives, businesses, jobs, and the economy, **employee engagement dipped slightly and then had meaningful growth.**

1. Our research indicates that when the COVID-19 virus initially hit the U.S., employee engagement dipped slightly to 70% Highly Engaged but had meaningful growth to 83% Highly Engaged after U.S. restrictions were put into place.
2. This peak in employee engagement in 2020 represented an 11% increase compared to the engagement levels during the same period in 2019.

Economic and Labor Market Factors

How have the deteriorating economic and labor conditions impacted employee engagement?

Economic indicators, such as initial unemployment claims and stock market indicators, appear to **coincide with changes in employee engagement.**

1. Stock market indicators (e.g. Dow Jones Industrial average) appear to correlate with dips and rises in employee engagement.
2. Initial weekly unemployment claims skyrocketed in March concurrently while employee engagement started to climb.

Categories with the Biggest Change

What areas of employee engagement changed most dramatically during the crisis?

Economic indicators do not explain the full story of engagement growth during the COVID-19 crisis, as **favorability in items related to leadership, communication, and wellbeing increased.**

1. The largest YoY item-level differences were related to Communication and Leadership with 7% and 8% growth in favorability, respectively.
2. Increased favorability in Health, Wellbeing, and Work-Life Balance also drove the increase in engagement.
3. Favorability on Compensation and Benefits items grew by 7% and 5%, respectively.

Differential Impact of COVID-19

How have different types of workers been differentially impacted by the COVID-19 crisis?

Some employees had larger increases in employee engagement during this period **Employees who might have been most impacted by COVID-19 restrictions saw the highest increases in favorability.**

1. There were clear differences based on industry with the Arts, Entertainment, and Recreation industry down 7% and Nonprofit organizations up 15% in engagement post-COVID-19.
2. Employees with HS diplomas or less education had the largest increases in engagement pre- vs. post-COVID-19, compared with workers with post-secondary education.
3. There were also small differences between hourly and salary workers, with hourly workers having a larger increase in engagement.

How Has COVID-19 Impacted Employee Engagement?

There are really only three possibilities for employee engagement trends during a crisis—to rise, fall, or remain constant.

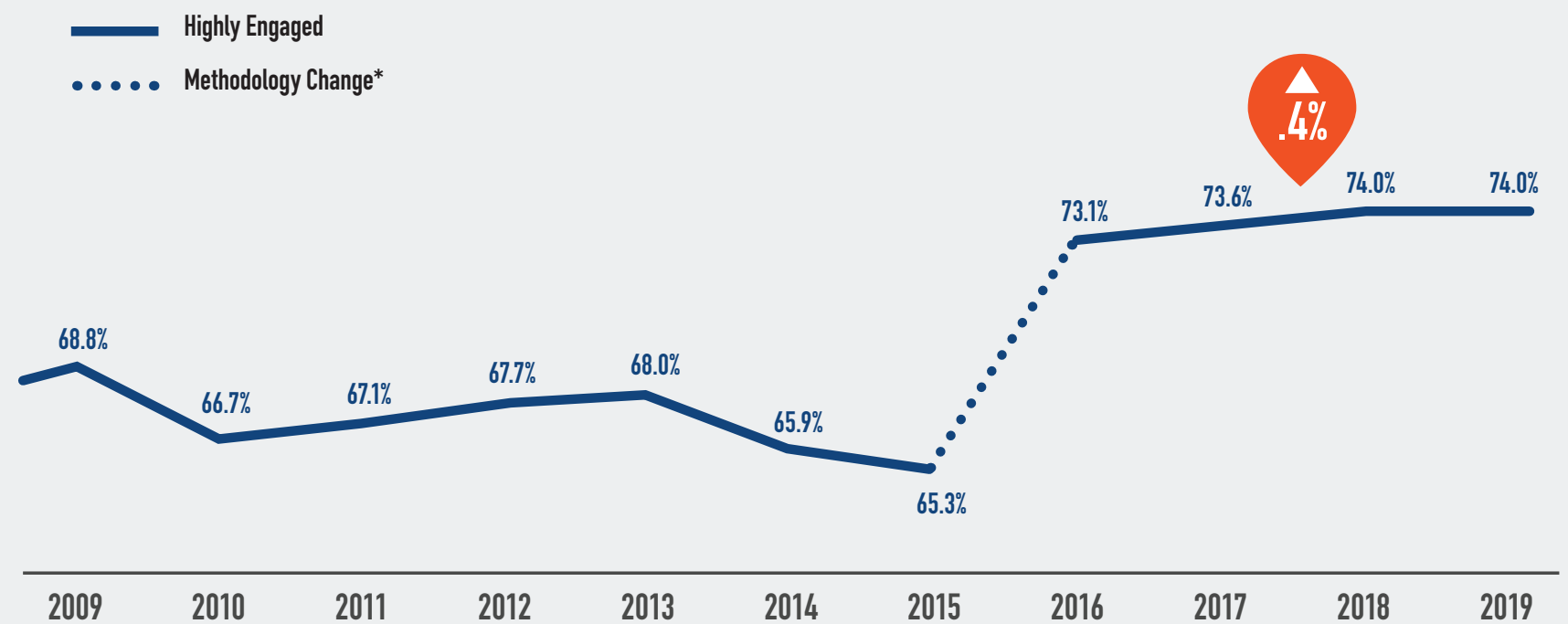
Indeed, there is ample reason to believe that employee engagement levels might have remained steady. For instance, Quantum Workplace’s Best Places to Work survey has shown engagement to change only 1-2 percentage points year-over-year for more than a decade.

However, we noticed evidence of positive increases in employee survey responses among customers who surveyed during the COVID-19 crisis when compared to their 2019 survey results. In fact, across the Quantum Workplace customer database, we found that:

- **75% of organizations** had increases in overall item favorability.
- **73% of organizations** had increases in employee engagement.

To add to this, **other research firms had increases in overall item favorability** who have tracked a steady employee engagement metric are starting to see a change. They have found indications that employee engagement levels across the United States have started to rise during the second quarter of 2020.

From 2017 to 2018, the number of highly engaged employees increased 0.4 percentage points whereas the number of disengaged employees decreased 0.6 percentage points



HOW HAS COVID-19 IMPACTED EMPLOYEE ENGAGEMENT?

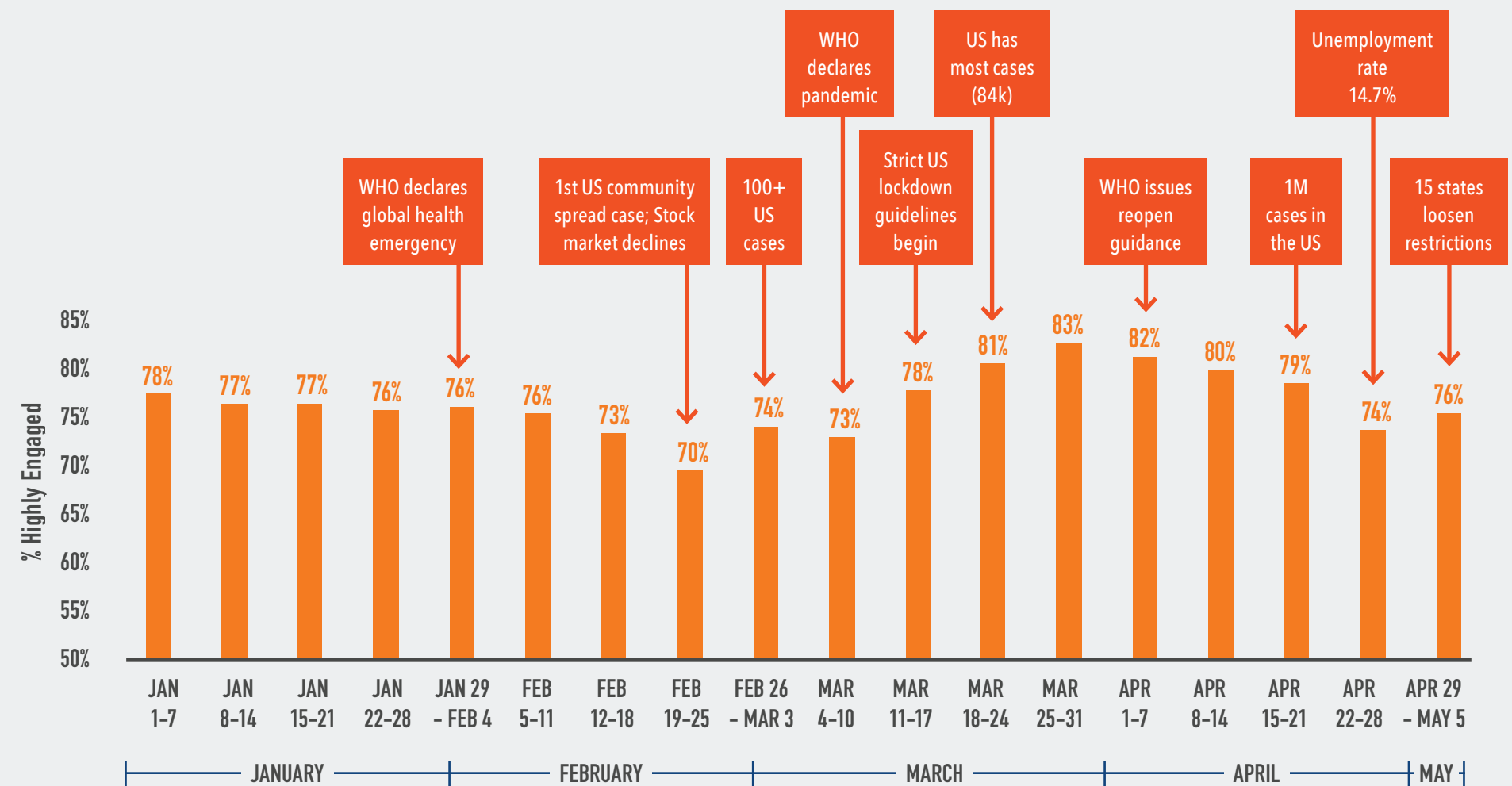
2020 Trends in Employee Engagement

Data from Quantum Workplace’s Best Places to Work contest in the first half of 2020 also shows dynamic levels of employee engagement. We collect thousands of responses per to our contest survey each week. Our data indicated elevated, but steady levels of employee engagement during the first month and a half of 2020.

However, as the coronavirus started spreading in the United States and fears of a global pandemic began to grow, there was a sudden dip in employee engagement—from a high of 78% of employees highly engaged in early January to a low of 70% highly engaged in mid-February.

This trend reversed once more states began to enact strict social distancing and lockdown guidelines. We collect thousands of responses per to our contest survey each week. The low of 70% highly engaged in mid-February spiked to a high of 83% highly engaged in late March 2020.

Key COVID Events and Weekly Employee Engagement



Year-Over-Year Differences 2019-2020

One might attribute these changes in employee engagement to seasonal differences in the metric throughout a given year. Meaning, these dips and spikes in employee engagement might happen at the same time year-over-year, coincidentally. Therefore, we compared this trend to the weekly levels of employee engagement in 2019.

These weekly year-over-year comparisons show that for the first two months of 2020 engagement levels were quite similar to those found in 2019. However, as it became clear that COVID-19 would impact the United States, engagement levels dipped and then rose dramatically from the levels found in 2019. During the last week of March 2020, we saw the highest weekly engagement levels and the largest differences from 2019 levels. There was an 11% year-over-year difference in high engagement between 2019 and 2020. From that peak in March of 2020, engagement levels slowly declined and returned to 2019 levels.

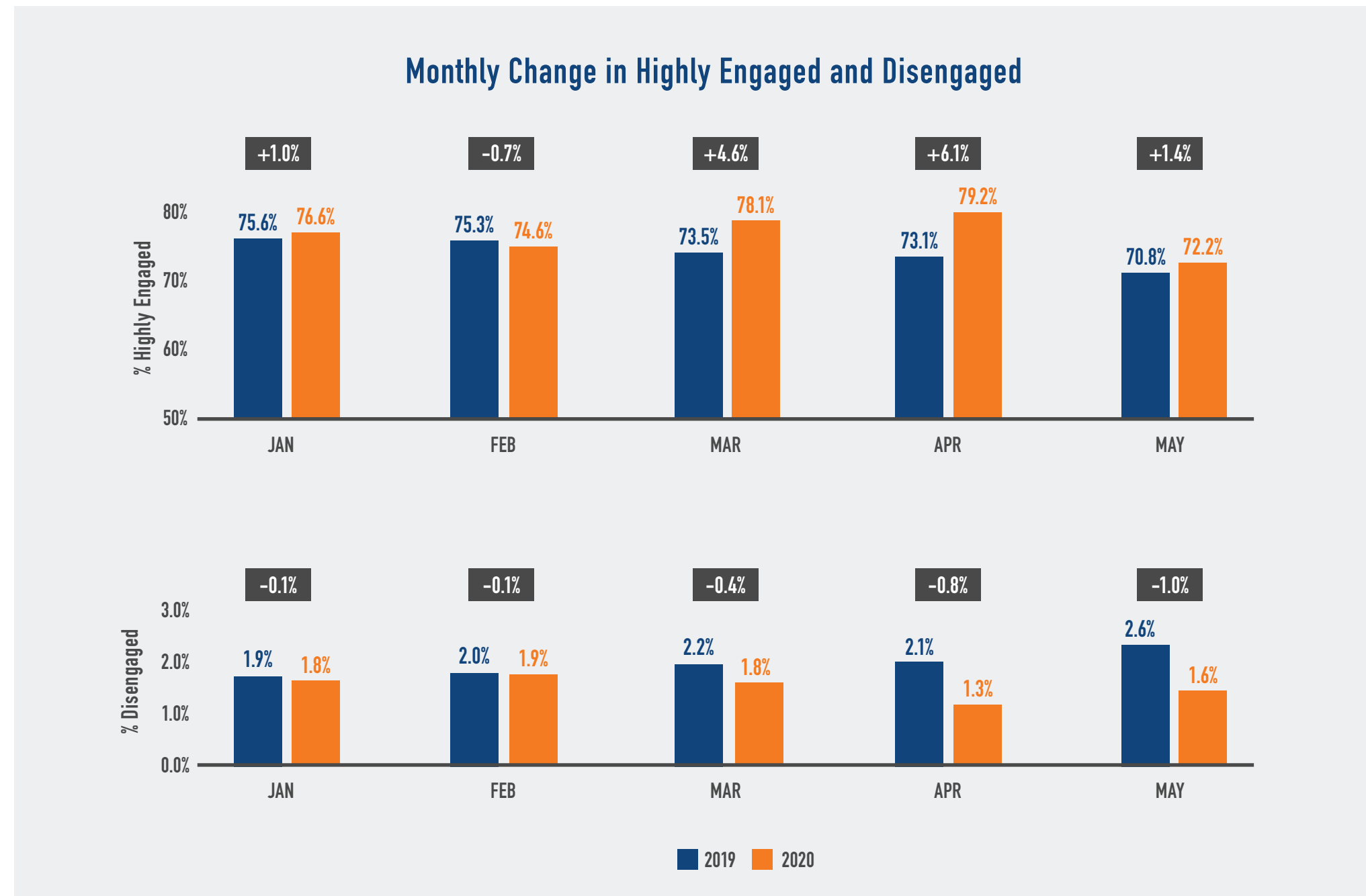
Key COVID Events and Weekly Employee Engagement: YoY Differences



HOW HAS COVID-19 IMPACTED EMPLOYEE ENGAGEMENT?

We also analyzed the monthly year-over-year differences in engagement levels comparing 2019 with 2020. These monthly trends are more stable in nature as they include tens of thousands of responses to our survey and are therefore less susceptible to change or influenced by outliers.

This analysis showed heightened levels of high engagement (and reduced levels of disengagement) during March through May of 2020, compared to March through May of 2019. In April of 2020, the levels of disengagement were 1.6X lower compared with 2019. In that same month, we also found that high engagement was 6.1% higher in 2020 compared with 2019 levels. These engagement increases equate to thousands of more respondents who are increasingly saying they are engaged in their jobs, teams, and organization.



How Have the Deteriorating Economic and Labor Conditions Impacted Employee Engagement?

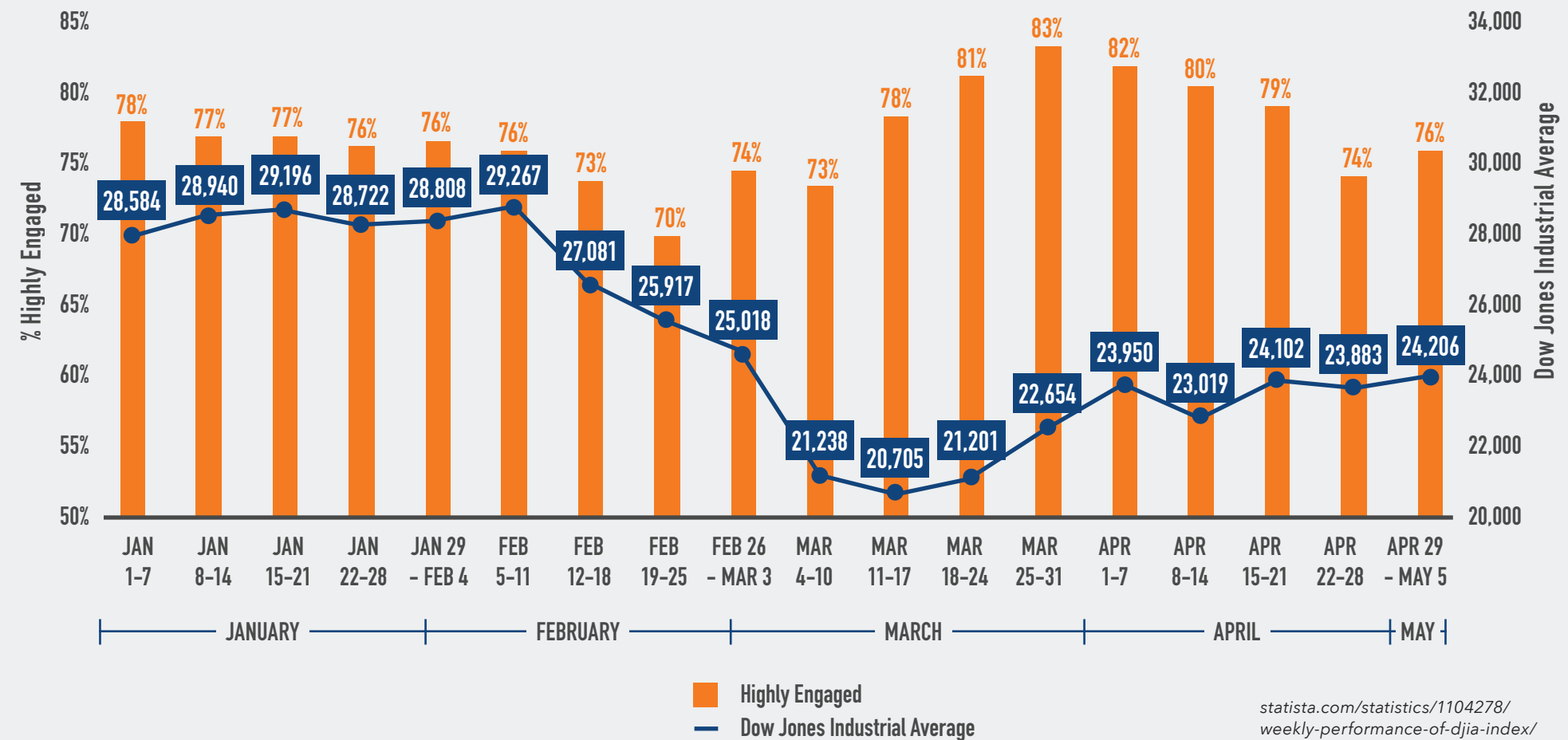
The National Bureau of Economic Research officially declared that the United States entered into a recession in February of 2020—ending one of the longest periods of economic expansion in our history.

To analyze employee engagement amidst deteriorating economic and labor conditions, we compared employee survey data to the Dow Jones Industrial Average. While the Dow is limited in its scope as an indicator for the entire market (as it tracks the performance of the 30 largest companies in the United States), it is often a popular and useful indicator of firm and stock performance.

It should be noted that the Dow, and the stock market more broadly, often does not represent the broader economy. **This disconnect has been apparent with the May stock rally** despite poor labor conditions.

However, many workers' pensions and retirement accounts are tied to the performance of the stock market. Thus, **the stock market might help us understand employee perceptions.**

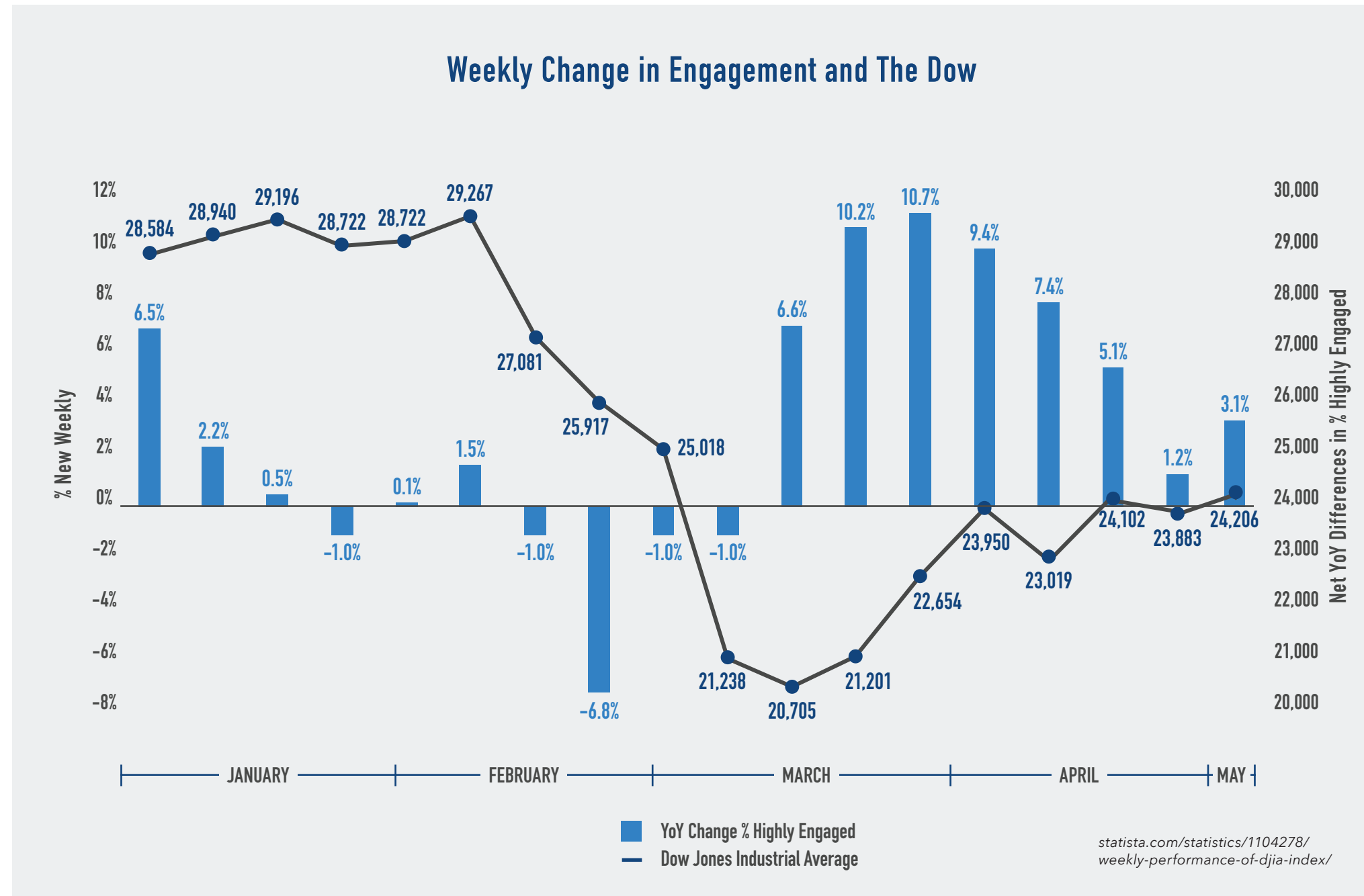
Employee Engagement and The Dow



HOW HAVE THE DETERIORATING ECONOMIC AND LABOR CONDITIONS IMPACTED EMPLOYEE ENGAGEMENT?

This trend shows that the decrease in stock market performance in early February coincided with the dip in employee engagement. The rebound in both employee engagement and the Dow from these lows are also similarly timed.

However, these relationships should be explored and interpreted with heavy caution and skepticism. There were many changes and disruptions occurring at this time that might also impact the employee experience. Additionally, it should be noted that a simple correlation does not mean that stock performance is causing changes in employee engagement.



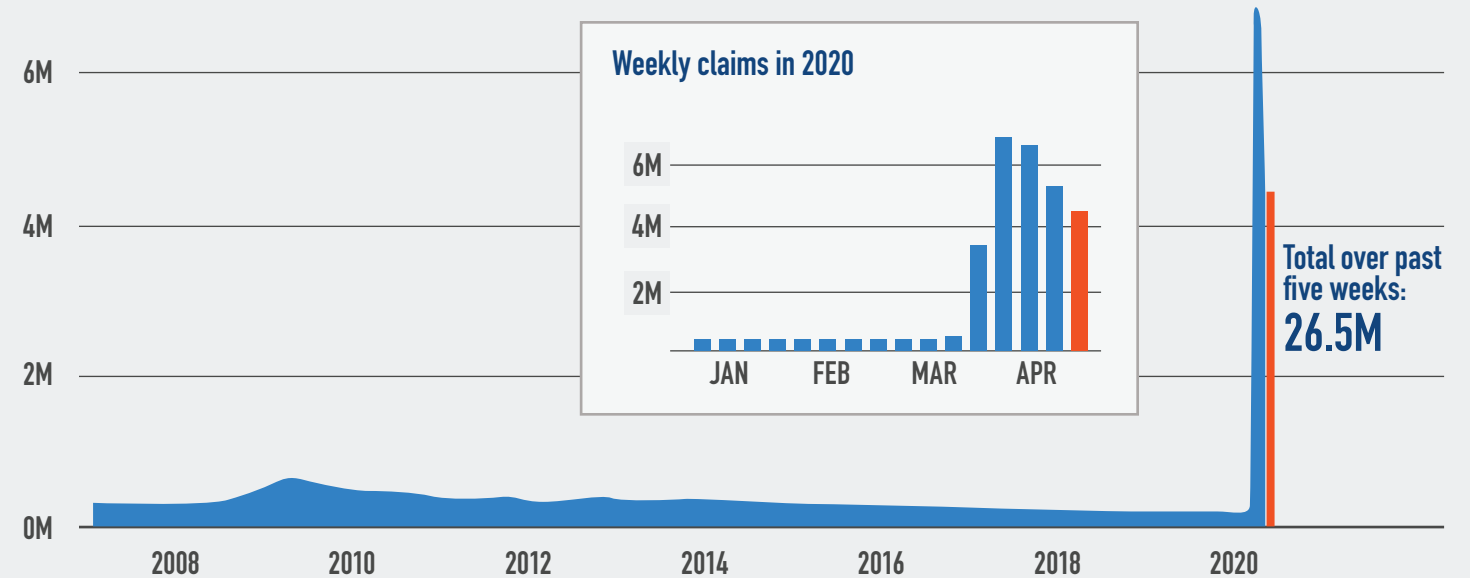
Historic Rise in Unemployment Levels

During the COVID-19 crisis and subsequent lockdown guidelines, the unemployment rate rose to over 16% - levels not seen since the Great Depression. This is a dramatic change from the 3.6% unemployment rate in January 2020.

Weekly unemployment claims hit **historic levels on March 21st with more than 3.3 million workers** filing for initial unemployment claims. That number was doubled the next week, and over the next month more than 26 million workers filed for unemployment.

Surge in initial claims continues

Weekly initial unemployment insurance claims



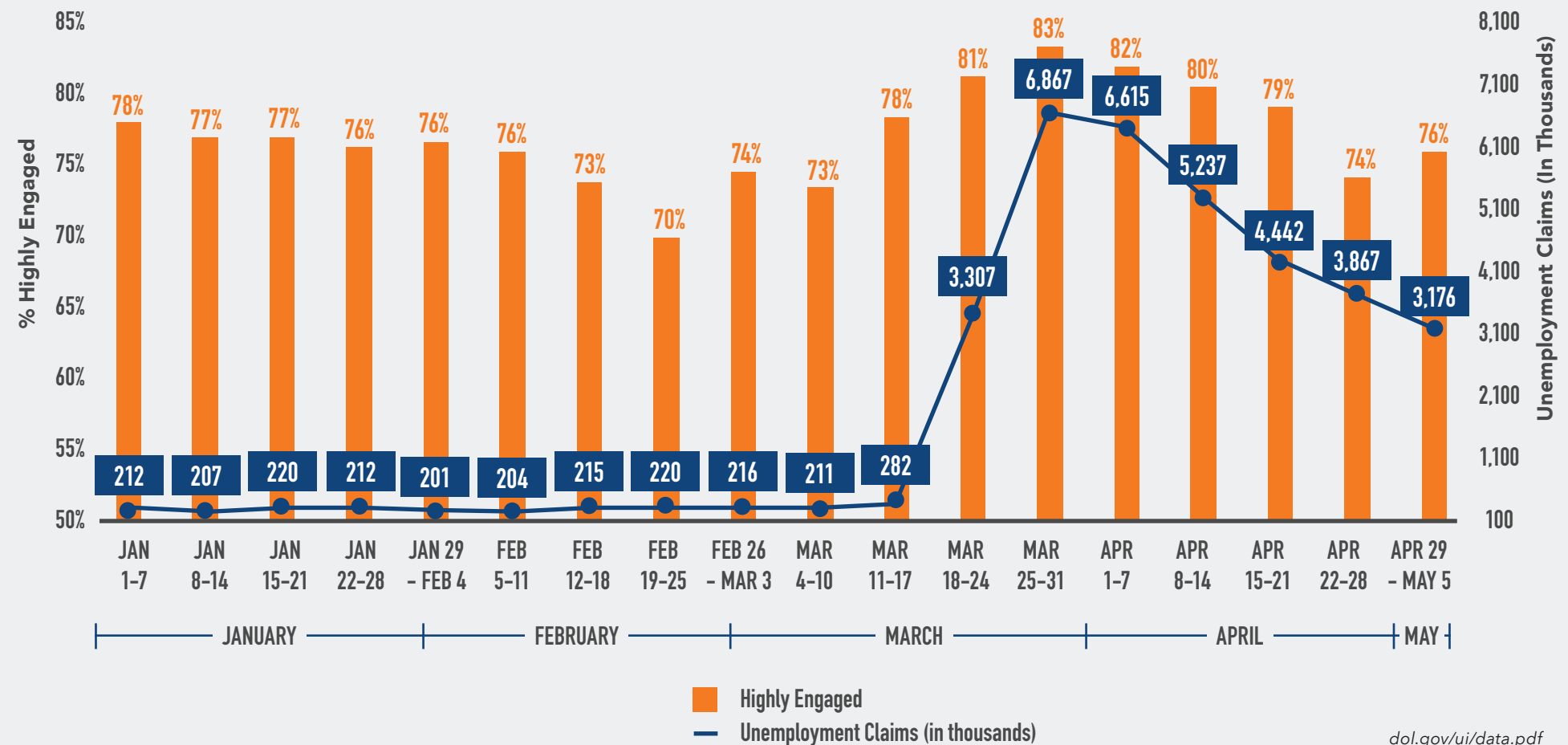
Source: Dept. of Labor. Data is seasonally adjusted

HOW HAVE THE DETERIORATING ECONOMIC AND LABOR CONDITIONS IMPACTED EMPLOYEE ENGAGEMENT?

Similar to engagement levels in the first two months of 2020, unemployment claims remained steady extending a trend of historically low unemployment. The historic increase in unemployment in March of 2020 appeared to coincide with the sudden rise in employee engagement. The peak of employee engagement at 83% highly engaged coincided with the peak of initial weekly unemployment claims. From those peaks, both metrics gradually decreased over the next month.

During times of low unemployment, employees who are unhappy with their current jobs or employers often have the ability to find and apply for better opportunities. This creates more competition among organizations for top talent. When the unemployment rate increases, it indicates relatively fewer job opportunities available in the labor market and less prospects for worker mobility. For those employees who are able to keep working during an economic downturn, they might have reassessed what good jobs and employers meant to them as colleagues and friends were losing their jobs.

Weekly Change in Employee Engagement and Unemployment



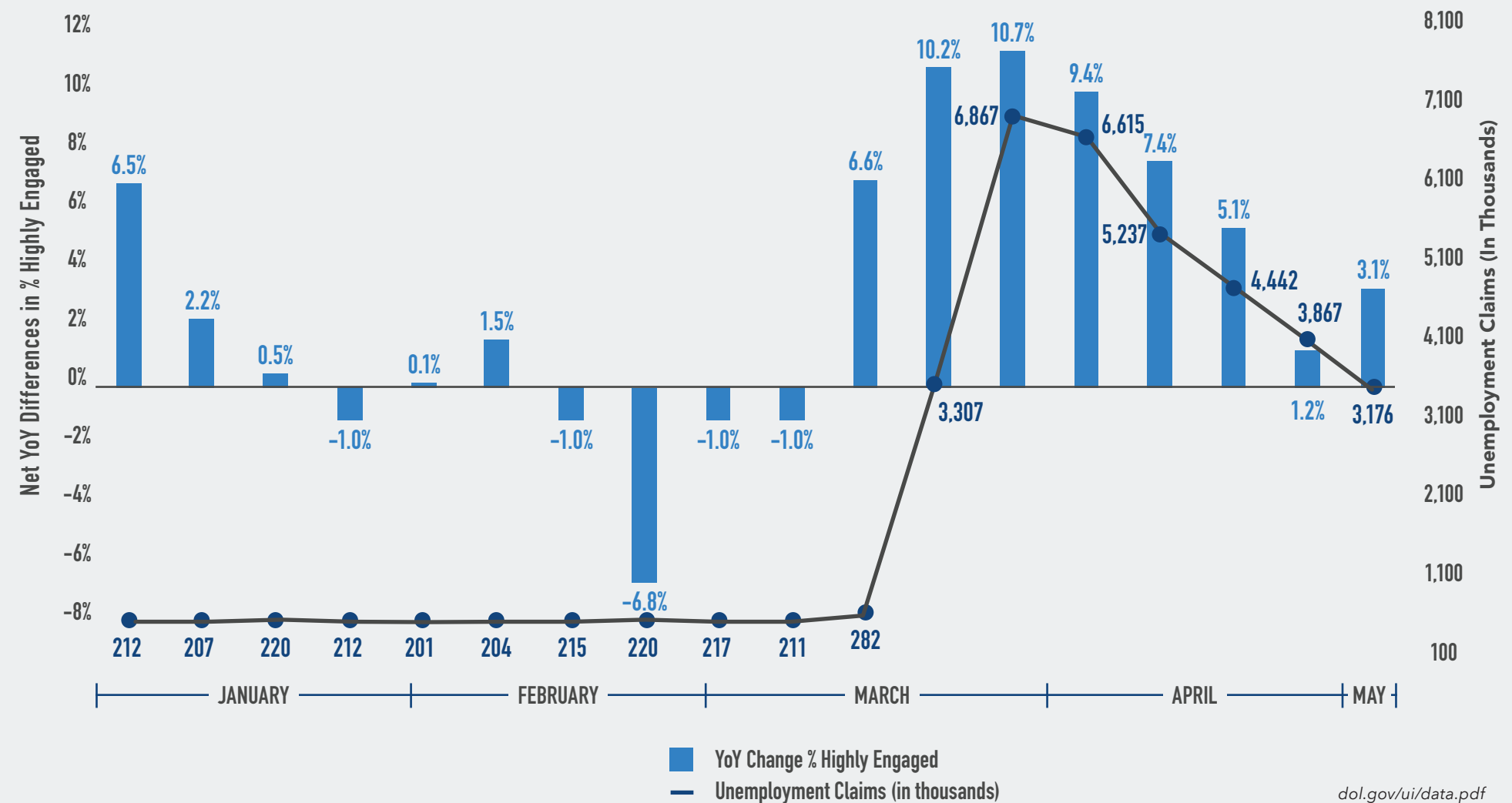
dol.gov/ui/data.pdf

HOW HAVE THE DETERIORATING ECONOMIC AND LABOR CONDITIONS IMPACTED EMPLOYEE ENGAGEMENT?

We also examined how the unemployment trend compared with the weekly net change in employee engagement levels in 2020 compared with 2019. When we compared the trends from 2019 to 2020, weekly year-over-year differences peaked during the same week that unemployment peaked, with a steady decrease to both metrics over the next several weeks. These year-over-year trends provide further clear evidence that there were dramatic increases in both engagement and unemployment during March and April of 2020.

Taken together with the findings from the Dow Jones, these corresponding trends provide evidence that employee engagement is impacted by the economy and labor markets. However, as we will show in the subsequent sections of this report, a strict examination of economic indicators alone does not tell the whole story of the changing employee experience during the COVID-19 crisis.

YoY Change in Employee Engagement and 2020 Unemployment



dol.gov/ui/data.pdf

Impact of the Economy on Employee Engagement Trends

The growth in employee engagement during health and economic crises is contrary to what one might expect. However, one explanation of these trends might be that workers start to reevaluate their working situation when the economy declines and unemployment rises. That is, when compared with the vast amount of people losing their jobs and businesses closing, employees might reassess their current working situation as better than those losing their jobs without another alternative.

Indeed, in April of 2020, the number of people who quit their jobs voluntarily dropped to a 10-year low according to the [Bureau of Labor Statistics](#). This indicates that workers are not confident about their alternatives currently available in the labor market. When there is no confidence in better jobs in the market, workers try to hold on to the jobs they currently have. Our findings suggest that workers may also be changing their perceptions of what their current jobs provide.

These findings should be interpreted with heavy caution. It is difficult to make any definitive conclusion based on a simple look at just the economic trends alone. Organizations also responded swiftly in the face of these crises to communicate to and protect employees. To truly understand why there is a change in employee engagement, we also examined the areas of engagement that demonstrated the largest shifts during the COVID-19 crisis.

What Areas of Employee Engagement Changed Most Dramatically During the Crisis?

If we only examined the impact of economic and labor conditions on employee engagement, we might conclude that the growth in engagement was due only to economic and labor market conditions. However, this conclusion would ignore the drastic workplace changes that have happened during this time.

As lockdowns and social distancing guidelines were implemented throughout the U.S., there were massive disruptions to the workplace and the needs of workers. Social distancing guidelines meant that many employees were required to work remotely. School closures meant that some employees were responsible for childcare and teaching their children. Many workplaces had to strengthen health and wellbeing guidelines and support.

Throughout this disruption and forced change, there is evidence that organizations were responding positively. For example, our research indicated that **88% of employees agreed that the frequency of communication from leaders was effective**. Almost **9 in 10 employees said they felt well-supported by their immediate manager** during this time.

These findings suggest that the economic conditions were not the only change during this time impacting employee engagement. Organizational team leaders were responsive to the crisis and prioritized employees' health and wellbeing. Thus, employee engagement growth might have also been driven, in part, by improved leadership, communication, and flexibility.

Three Strongest Areas of Growth

When we examined item-level changes between our 2019 and 2020 data during the COVID-19 lockdown, we found three primary areas of year-over-year improvement. These areas might help explain the different factors influencing the rise in employee engagement.



WHAT AREAS OF EMPLOYEE ENGAGEMENT CHANGED MOST DRAMATICALLY DURING THE CRISIS?

Communication and Leadership

The two items that had the largest increases in year-over-year favorability were “When the organization makes changes, I understand why” (up 8% in favorability year-over-year) and “The senior leaders of the organization value people as their most important resource” (up 7% in favorability year-over-year).

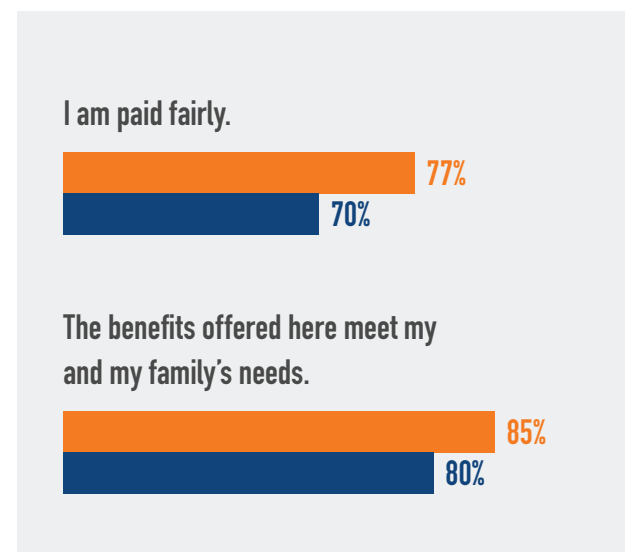
These increases in favorability indicate that many organizational leaders were obligated to become agile in the face of disruption. And organizational communication became paramount as leaders and teams coordinate their responses.



Compensation and Benefits

Employee perceptions of fair compensation and good benefits also grew 7% and 5%, respectively, during this time period.

This finding does not indicate that employees suddenly received more pay or better benefits. But rather that workers reevaluated what a fair wage and good benefits meant during a global pandemic and economic recession.

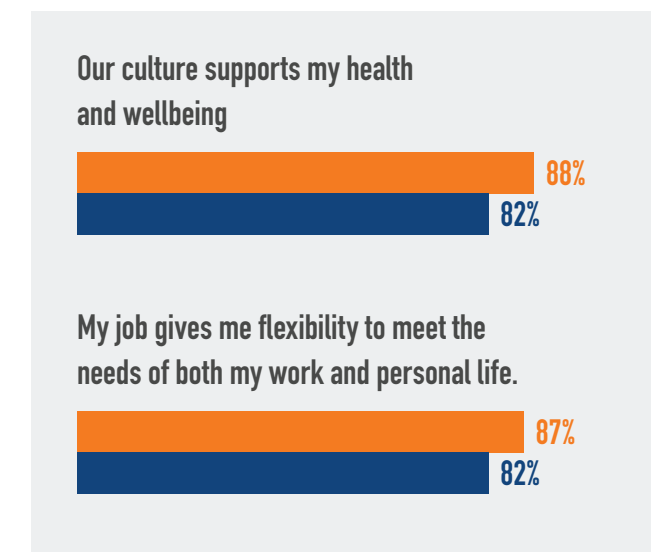


Health, Wellbeing, and Balance

The areas of Health and Wellbeing and Work-Life Balance also saw significant increase.

Specifically, the items “Our culture supports my health and wellbeing” and “My job gives me flexibility to meet the needs of both my work and personal life” grew by 6% and 5% favorability, respectively.

This might indicate that organizational leaders acted responsively to set guidelines and change policies to improve the health and wellbeing of their workforces during this chaotic and unprecedented time.



■ 2019 ■ 2020

How Have Workers Been Differentially Impacted by the COVID-19 Crisis?

Economic crises and global pandemics do not impact all workers equally. Some industries were under complete lockdown, while more remote-friendly industries continued with business as usual. “Essential workers” braved exposure to COVID-19 while complying to strict and inconvenient protocols. And most certainly, the economic and labor downturns did not affect the full range of the socioeconomic spectrum. We examined these differences by comparing perceptions before versus after strict lockdown measures were implemented in 2020.

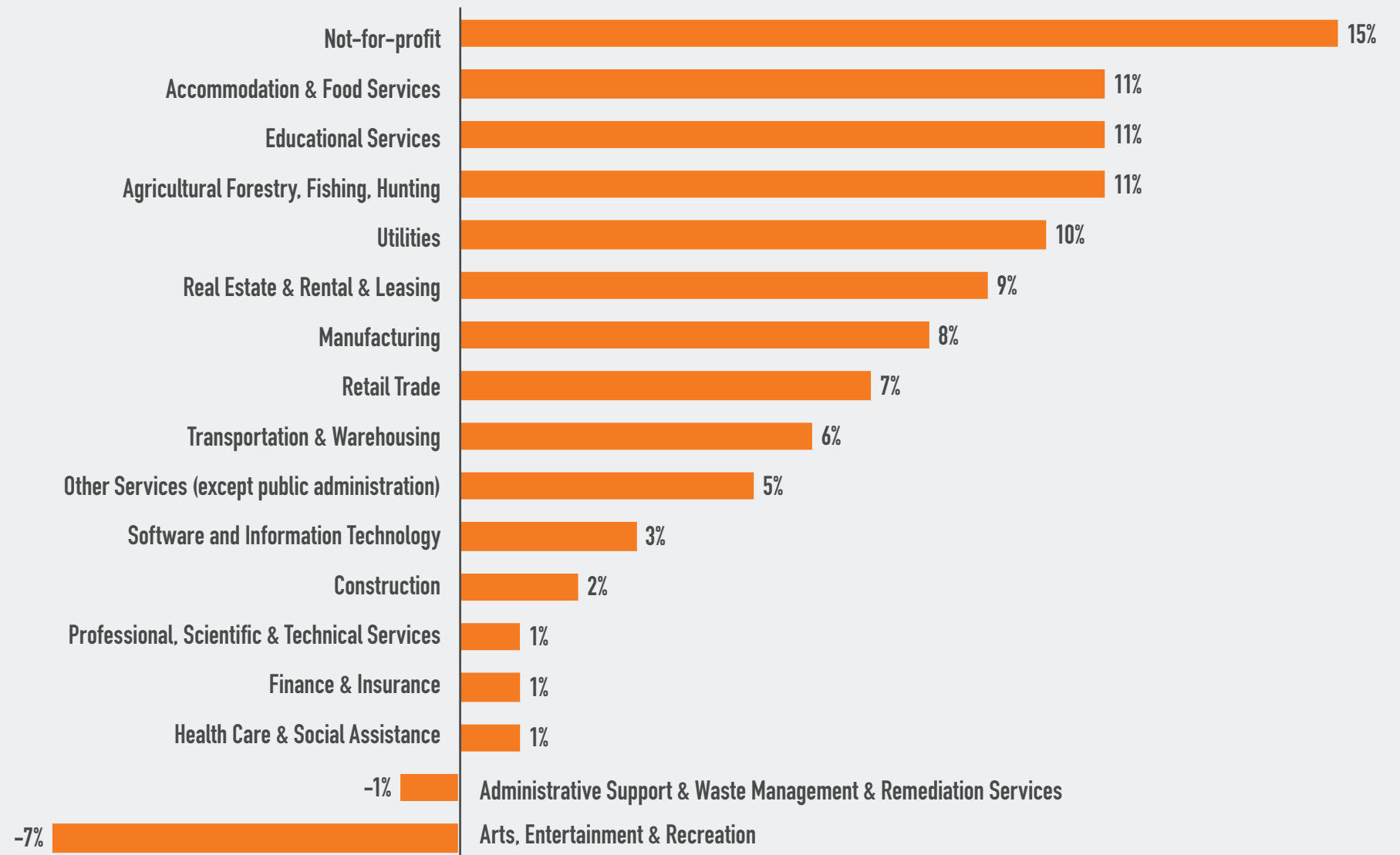
Industry Differences

When we examined differences due to industry, we found some interesting trends. Namely, the industry that appeared to suffer the largest decreases in employee engagement were Arts, Entertainment, and Recreation. They had a 7% decline in highly engaged employees from pre- to post-COVID-19.

On the other hand, several industries saw double digit increases in highly engaged employees after COVID-19. Nonprofit organizations saw the largest increase at 15%, which is interesting considering Nonprofit is one of the least engaged industries year over year. However, many Nonprofit organizations are focused on helping people most impacted by economic and health crises. Therefore, many employees of Nonprofits might have felt their jobs and mission were more important during this time of crisis.

Accommodation & Food Services; Educational Services; Agricultural Forestry, Fishing, & Hunting; as well as Utilities all saw 10% or greater increases in high engagement.

Change in Engagement by Industry



HOW HAVE WORKERS BEEN DIFFERENTIALLY IMPACTED BY THE COVID-19 CRISIS?

Employee Education Differences

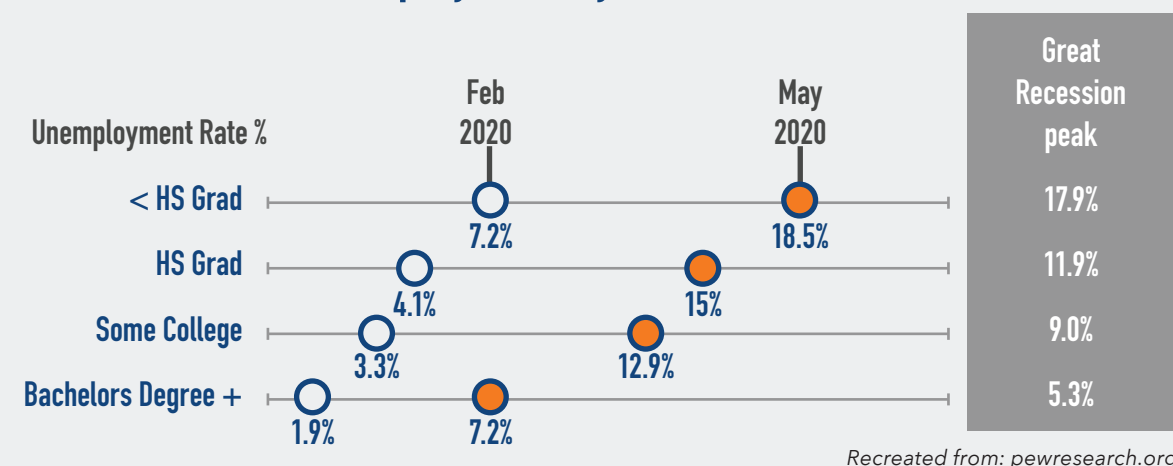
There were some substantial differences in employee engagement levels across employee education backgrounds during COVID-19. Specifically, the workers with the largest gains in employee engagement pre- vs. post-COVID-19 tended to have less advanced education.

Workers without a high school diploma had a 14% jump in high engagement pre- vs. post-COVID-19, compared to only a 3% jump in engagement levels for employees with a bachelor's degree.

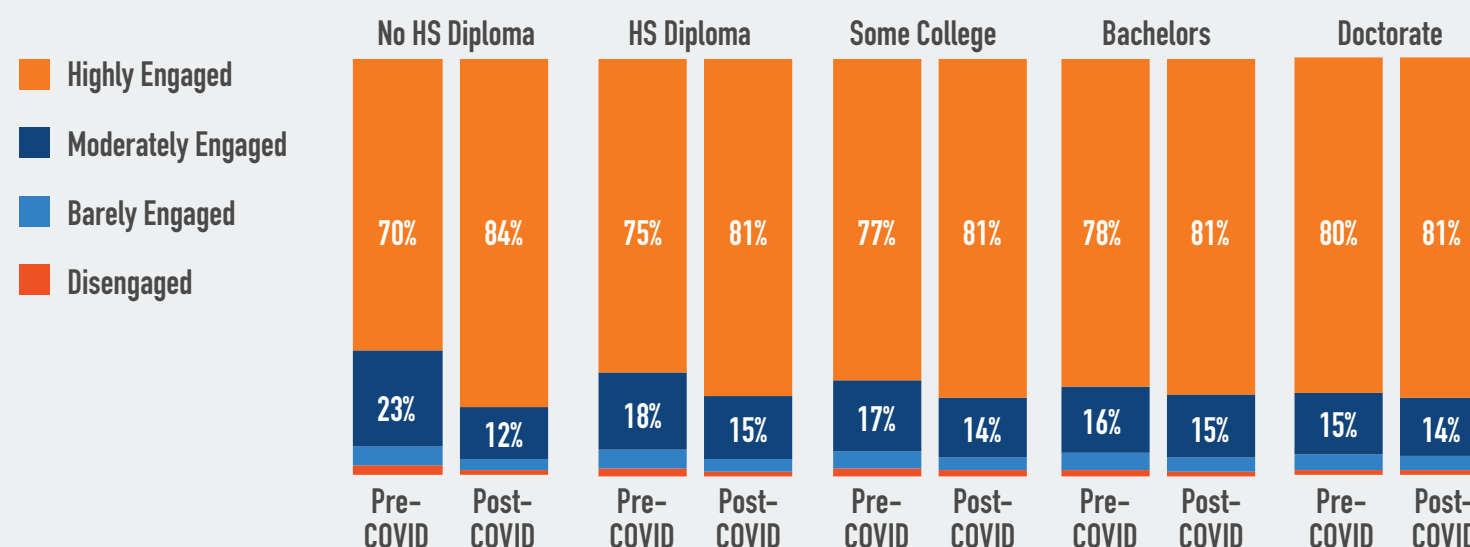
Again, this might be due to economic and labor downturn that disproportionately affected less educated workers. Researchers from Pew found that employees with a college degree were **6x more likely to have the option to work remotely** during the COVID-19 crisis. They also found that increased **unemployment rates were much more severe** for employees without a college degree. In fact, less-educated workers saw higher unemployment rates during COVID-19 downturn, than in the Great Recession.

Taken together, these findings might support the notion that employees without collegiate education, who remain employed, are appreciative of their current job situation in comparison with their colleagues, friends, or family who have lost their jobs.

2020 Unemployment by Education Level



Change in Employee Engagement by Education Level



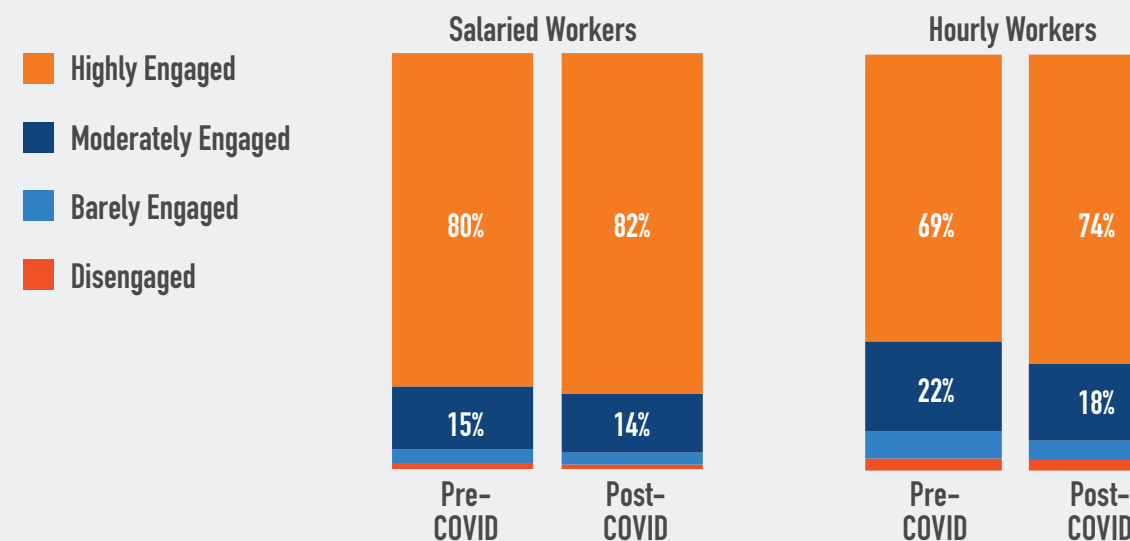
HOW HAVE WORKERS BEEN DIFFERENTIALLY IMPACTED BY THE COVID-19 CRISIS?

Position Type and Level Differences

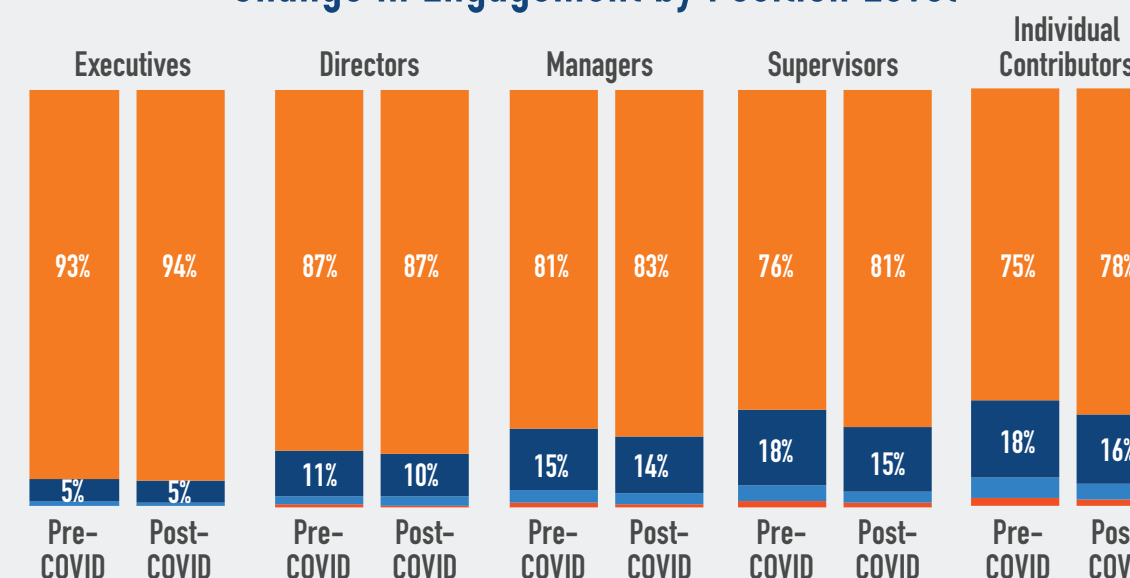
Hourly workers demonstrated double the increase in employee engagement compared with salaried workers' growth, 5% and 2% respectively.

Additionally, employees who are at the top of organizational hierarchies, such as executives and directors had little to no change in engagement. Meanwhile, supervisors, managers, and individual contributors showed some increases in the proportion of employees highly engaged.

Change in Engagement by Position Type



Change in Engagement by Position Level



What Comes Next for the Future of the Employee Experience?

Our recent employee engagement trends show levels stabilizing from the peaks we saw in April. Thus, it is difficult to predict whether this sudden increase in employee engagement is temporary or long-lasting. However, this research does provide some great takeaways about how our workplaces should evolve. As you continue to navigate the phases of this global pandemic and its impact on your workplace, we've provided some best practices for what to focus on next.

Applying Employee Engagement Crisis Practices

One lesson from our findings is that many of the practices organizational leaders have adopted during this crisis should not be temporary. For instance, the increased communication and feedback loops from organizational people leaders have been noticed and appreciated according to our data. Thus, organizational leaders should continue to have continuous feedback loops and clear communication.

Another practice that should continue in the future is the flexibility of work. Many leaders who might never have considered any flexible telework policies shifted their entire workforces to working from home. Additionally, many working parents now had childcare and schooling responsibilities that disrupted the traditional 9-5 working day. Though this was not true of all roles and industries, many companies became agile overnight and changed their views on worker flexibility.

These necessary shifts in the workplace and time might also be a durable change in the future of work.

Finally, during this crisis, another practice people leaders have adopted is setting, aligning, and sharing goals. Newly distributed and remote work teams required new tools to communicate and collaborate effectively. For this collaboration to be efficient and successful, people leaders aligned team goals with organizational goals to ensure effective coordination of efforts. Some also communicated these goals in new ways to signal their contribution to the organization using new tools and channels. These changes to the way we collaborate in the workplace should be the enduring legacy of this crisis.

Reopening the Workplace

As organizational leaders focus on reopening their workplaces in a safe but expedient manner, it is important that employees feel heard. You should strive to meet the individual needs of team members so that they may be productive. Employee surveys are a good option for organizations to gain insight into employee perceptions of safety and communication. However, they aren't the only way to hear from employees as your organization plans to reopen its physical space. There are some decisions - such as protective equipment use and office capacity issues - that should be left to health and infectious disease experts.

It is also more important than ever to have clear and aligned goals so that all organizational resources are being used effectively.

Consider these questions:

- When should employees return to the workplace?
- How confident are employees that they can work in a safe and productive manner?
- What are the phases of your reopening plan?
- What safety guidelines should be put into place?
- How are you using employee listening and 1:1 conversations to feel confident in your return to the workplace?

[More resources and tips related](#) to reopening the workplace.

Monitoring Employee Engagement & Performance

With so many decisions about our new normal in the workplace, employee listening programs are imperative to stay future-focused and successful. It's important to effectively react to what's happening now in order to drive future engagement and performance within your teams.

Consider these questions:

- What materials and equipment do workers need to be productive and collaborate effectively during this time?
- How are you driving and maintaining company culture as employees work remote?
- How are managers driving team performance and having effective performance conversations?
- How are employees staying aligned with team and organizational goals and celebrating success milestones?

Leverage [pulse survey templates](#) to better understand employee preferences among your remote workforce and as you reopen the workplace.

Lasting Changes and the New Normal

Some organizations have already implemented new changes that will impact the way their companies operate into the future. For example, [many large technology companies have changed their views and policies](#) toward remote work. Namely, Amazon and Microsoft have extended their remote work through October 2020 while Facebook and Twitter have done so permanently. Collect employee feedback to uncover which changes should stay (or need to be made) for your employees to succeed now and in the future.

Research Methodology

I. Data Sources and Participants

This report examines data collected through the Best Places to Work contest over the course of the past 11 years. The 2019 data were collected from more than 700,000 employees from over 8,500 organizations that took the survey between January 1, 2019 and December 31, 2019. The 2020 data were collected from more than 470,000 employees from over 6,000 organizations that took the survey between January 1, 2020 and May 12, 2020. These survey responses are cross-sectional in nature and do not represent longitudinal trends.

II. Model of Employee Engagement

We define employee engagement as the strength of the mental and emotional connection employees feel toward their places of work. It is NOT the same thing as happiness, satisfaction, or well being. This model represents nine engagement outcomes that should be measured in an engagement survey. These 9, called the e9, survey questions measure the strength of employee engagement at 3 different structural levels: (a) Work engagement: I find my work engaging. (b) Team engagement: My immediate coworkers are committed to this organization's overall goals. (c) Organization engagement: I recommend my organization as a great place to work.

III. Employee Engagement Profiles

Employees are classified into four groups based on the average of their responses to our e9 engagement outcome items. Highly engaged employees have an average rating between 5.0 - 6.0 on a 6-point rating scale. Moderately engaged employees have an average rating between 4.0 - 4.9. Barely engaged employees have an average rating between 3.0 - 3.9, and disengaged employees have an average rating between 1.0 - 2.9. Prior to 2016, Quantum Workplace used a different model for calculating profiles. In the previous model, employees were classified into four groups based on the average of their responses to all survey items, rather than just the e9 items. The new model removes employee sentiment about workplace culture elements and focuses only on employees' feelings of engagement. You'll notice this shift when looking at year-over-year trending prior to 2016.

IV. About Best Places to Work

Founded in 2004, Best Places to Work is the original contest created to honor companies where talent is valued and engaged. The contest is held annually in nearly 50 markets and garners participation from more than 10,000 organizations. Quantum Workplace partners with various local publications, professional organizations, and other sponsors to conduct the survey and recognize America's Best Places to Work.

V. Other Notes

Whenever words like "more engaged" or "engagement" are used when showing or describing results, it is referring to the percentage of highly engaged employees in a particular group or demographic. In some charts and graphs, the term "YOY" is used. This means "Year-over-year," which is trending data between 2019 and 2020. Not all graph columns (the combination of engagement profiles) will equal exactly 100 percent – these small discrepancies are due to rounding error.