

Executive Summary

Fifth Annual Study



A message from the CEO

Since 2016, our State of Workplace Empathy research has been fielded during the month of February each year. This past February was no different. We set our parameters, determined our topics, and went to work with our third-party research partner. Little did we know how much everything would change in just one month's time.

When we collected the responses for our 2020 study, we were in a state of economic prosperity and relative certainty for the year and the decade ahead. Today, we are all facing a much different landscape, where telework is the norm, the term 'essential workers' has new meaning and mental health has never been more prominently discussed.

When determining how to best and most thoughtfully release our 2020 State of Workplace Empathy Study results, we debated many approaches for bringing this information to you. Ultimately, we determined that this study, in our current situation with its prepandemic results, is critical to how we all approach our path forward. The results of this study provide us with a snapshot in time, and what we found is more relevant now than it's ever been. Knowing this information will help us better understand what our employees need and what is important to them, as they face unprecedented levels of mental, physical and financial stress.

One of the key takeaways in this year's study is empathy has stalled. Employees feel as though their leaders are not doing enough to display empathy, and that was before the world was rocked by a pandemic. The importance of bridging that gap is now heightened by the current environment. Employees are depending on their employers to deliver empathy to help them overcome, adapt and move forward.

While these results were collected pre-pandemic, they are a stark reminder that empathy always has a place, a time and a need in our workforce. Now more than ever.





Employees are depending on their employers to deliver empathy to help them overcome, adapt and move forward.

The State of Workplace Empathy

The State of Workplace Empathy: Vital but Stalled

As the world continues to grapple with a pandemic and its associated economic uncertainty, our health and well-being are contending with pressures we haven't encountered in generations. In addition, society is increasingly acknowledging and seeking accountability for long-standing systemic inequity, underscored by a public health crisis and a growing social justice movement. We are all recognizing the need to embrace a stronger focus on empathy for the well-being of everyone, including those with whom we work.

At Businessolver, we have examined the evolution of empathy in the workplace for five years through our <u>State of Workplace Empathy</u> <u>Study</u>SM. Our 2020 findings reveal that while empathy's value in the workplace has risen over the years, in these challenging times progress has stalled, as some examples from this year show:

- 68% of employees say their organization is empathetic; 48% say organizations overall are empathetic—both figures represent the lowest rates of the past four years.
- Employees' and HR professionals' ratings of their own organizations' empathetic behaviors have fallen steadily since 2018.
- Surveyed for the first time this year, employees in Gen Z are more likely to say organizations are empathetic (82%) than their counterparts in older generations (65-74%).

More than

90%

of employees, HR professionals and CEOs said empathy is important every year since 2017. Even so, our study has unearthed consistent findings that serve as lessons learned from the past and as a guide for a workplace that has been, and will continue to be, altered for years to come:

- Workplace empathy has been seen as universally important since our study's beginnings—by employees, HR professionals and CEOs.
- Empathy is consistently tied to business impact.
- Some gaps persist in how empathy is perceived and experienced by members of the workplace, especially between employees and executives.
- Benefits play a role in building a culture of empathy and supporting an employee's overall well-being.
- There is hope for the future, as all groups believe that empathy can be learned.

Organizations that are adjusting to new ways of working must prioritize creating a culture of empathy. This can only be accomplished through a combination of practices, examples from leadership, and careful attention to employees' unique needs.

In challenging times, companies are slipping rather than making gains in empathy.

Employees' and HR professionals' ratings of their own companies on empathy have steadily fallen since 2018.

Employees

68% **78%**

HR Pros





Empathy Drives Business Impact Through Motivation and Productivity—Yet a Gap Still Exists between Employees and CEOs

Building a culture of empathy cannot take a back seat to other key drivers of business—because empathy itself is a driver of business impact and performance. In fact, in 2020, 76% of employees believe an empathetic organization inspires more motivated employees, compared to 65% who said the same in 2019. Yet only about 50% of CEOs agreed that empathy drives productivity and motivation. This gap calls out the disconnect related to the impact of workplace empathy, especially since 82% of CEOs believe a company's financial performance is tied to empathy.

Year over year, empathy continues to play a key role for employees considering where they would take employment, their salary, their work effort, and whether they will stay at their current organization. Since 2016, we've asked employees if they would sacrifice pay or work longer hours to work for an empathetic employer and have received mostly positive responses. In 2020, 74% of employees said they would work longer hours for an empathetic employer, and 80% said they would switch companies for equal pay if the employer were more empathetic. Over 2017-2019, 60% of employees said they would be willing to take slightly less pay for an empathetic employer, yet we're now seeing that number begin to decline (57%) in 2020.

When pushed further on tradeoffs they would make, all employees—especially Gen Z—are much more likely to choose an employer with a strong culture of empathy:

- 83% of Gen Z employees would choose an employer with a strong culture of empathy over an employer offering a slightly higher salary, versus 75% of employees on average.
- 79% would choose an empathetic employer even if it meant changing their role, industry or career path, versus 73% of employees on average.
- 83% would consider leaving their current organization for a similar role at a more empathetic organization.



of employees said they would work longer hours for an empathetic employer.

Empathy matters for business—so how do benefits offerings connect the two?

Years of study data show that <u>employees</u>, <u>HR professionals</u>, <u>and CEOs</u> agree that benefits present a tangible way organizations demonstrate empathy. Even potential employees evaluate companies based on what they perceive as empathetic behaviors in the form of values-based benefits and use this as a deciding factor when seeking employment.

Here's how employees are connecting benefits to business performance in 2020:

- 95% agreed an employer that offers generous paid time off or leave benefits is more likely to retain employees.
- 94% agreed an employer that offers generous paid time off and/or work leave benefits boosts overall work productivity.
- Employees believe, by an 18-point margin over CEOs, that benefits aligned with values lead to more motivated and productive employees.

Focusing on empathy now may help organizations financially recover more quickly from the pandemic and better position themselves for future success. Those who adopt a culture of empathy will be well placed to capitalize on growth opportunities once economic sectors begin to stabilize. In our workplaces, we have more to do to understand the mechanisms that drive empathy's benefits for business and to close the gaps between what employees say is important and what they experience in their organizations.

Employees view motivation, productivity and lower turnover as key benefits of empathetic workplaces, while CEOs focus on empathy as a driver of financial performance. All are positives for an organization's bottom line.

[2020, 2019 & 2018 Reports]





Executive leaders have long been thought of as the face of an organization and the ones who set the cultural tone, and that has never been clearer than it is in 2020. Today, leaders are expected to publicly respond to the human and financial impacts of our current landscape and are subject to heightened scrutiny for their words and how they steer their organizations. Five years of data from Businessolver's State of Workplace Empathy Study demonstrates the increasing importance and impact of those who lead with empathy.

Data from the 2020 study underscores leaders' unique position going forward: It's time for CEOs to embrace their dual role, as Chief Executive Officer and Chief Empathy Officer. This means leaders must understand the significant disconnect between how they view workplace empathy and how their employees experience it.

We have measured this disconnect over the years, and in 2020 found that what leaders don't know can impact them, and their organizations:

- Only 48% of employees believe companies as a whole are empathetic, versus 68% of CEOs.
- 91% of CEOs say their own company is empathetic, but only 68% of employees agree.
- 45% of employees view CEOs in general as empathetic—representing a four-year low—versus 87% of CEOs.
- **63%** of employees say their own CEO is empathetic.

of employees believe companies as a whole are empathetic, versus 68% of CEOs.

CEOs and employees not only disagree on the extent to which empathy is demonstrated in the workplace; they also understand the benefits of empathy differently.

- CEOs are more likely to believe that workplace empathy can help strengthen financial performance and increase business growth.
- Employees on the other hand believe that workplace empathy inspires the workforce to be more motivated and productive.

While the outcome is similar, these different views highlight the disconnect between leadership and employees on the impact of workplace empathy.

- Employees believe empathy creates a better environment to work in, which increases their output and can reduce turnover.
- CEOs believe empathy improves the bottom line, essentially focusing on the financial result as opposed to the day-to-day setting of their workplace.

By failing to understand what employees identify as empathy's key business impacts, leaders risk missing out on opportunities to drive motivation and productivity and lessen turnover.

Members of the workplace are also divided on who is responsible for improving workplace empathy.

When asked who has the most impact on building a culture of empathy, employees' top response was their manager, as opposed to their CEO, their co-workers, or their HR professionals.

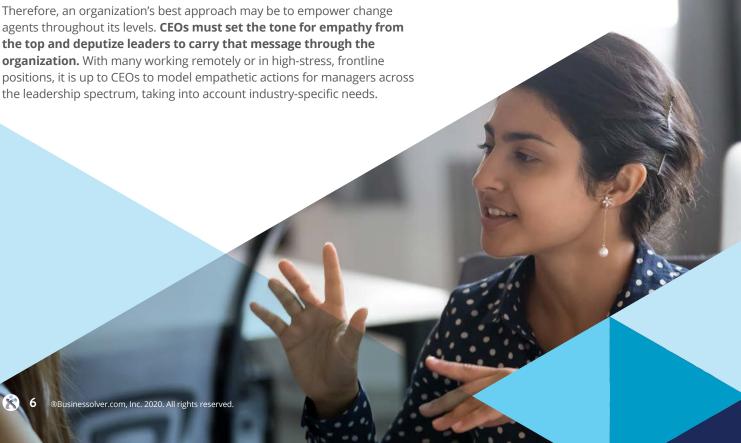
Therefore, an organization's best approach may be to empower change agents throughout its levels. **CEOs must set the tone for empathy from** the top and deputize leaders to carry that message through the

Among employees, perceived empathy of CEOs has dropped in the past year. **Employees** continue to feel the most empathy from their coworkers.

My CEO is empathetic.

Employees at my company are empathetic.

80%



Despite differences, CEOs and employees agree that empathy can be learned.

All participants in today's workplaces should be encouraged by opportunities to enrich a culture of empathy through cross-functional, cross-generational empathy training and development. The rate of employees who say empathy can be learned is growing.

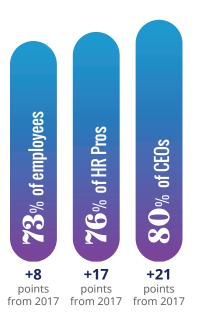
of employees in 2020 say empathy can be learned compared to 54% in 2016.

80%
of CEOs in 2020 say empathy can be learned compared to 57% in 2016.

Companies must pay close attention to employees' diverse needs when it comes to training and skills development. Some may crave experiential learning, while others may be looking for formal certification opportunities. As organizations increasingly seek to support more inclusive environments and advance representation of underrepresented groups within their workforces, many may find value in diversity and inclusion trainings that aim to increase cross-cultural and cross-racial understanding.

Communicating related benefits offerings and socializing programs that enable employees to participate in volunteerism or purpose-based work are other ways leaders can help express empathy in their organization. More than ever, with employees so willing, now is the time for leaders to commit to fostering empathy and including it as a foundational value across their organization.

Compared to years past, more members of the workplace believe empathy can be learned.







people, not just workers.

In our current state, there is no room for disconnect between values and benefits. Employees require work-life flexibility and a recognition that families and lives outside work must exist in harmony with careers. Workers are encountering new, demanding situations, from parents who have taken on their children's schooling and childcare at home, to essential and frontline workers navigating childcare solutions, and more individuals who need to tend to their own and their families' critical health issues. Benefits based on values were important for employee well-being before the pandemic, but now they're even more critical.

Data from 2020 shows that employees are drawn to values-based benefits that are tangible, including flexibility at work, leave and compensation, and volunteer benefits. Yet there remains a disconnect between leadership and employees around what benefits are offered by their organization.

Employees rated flexibility as a top benefit demonstrating empathy and they indicated that benefits around flexibility have much room for improvement. In 2020:

- 88% of employees considered flexible schedules to care for family members or the option to work remotely to be important or very important.
- Prior to the pandemic, only 31% of employees said that their employer offered such benefits around flexibility.
- 92% of employees (exempt) say "comp" time for hours worked outside of normal business hours, is important or very important.
- Only 30% say "comp" time is offered at their company.



of employees considered flexible schedules to care for family members or the option to work remotely to be important or very important.

With remote work becoming the new normal for many, and an increased possibility that employees may be called on to care for sick family members, organizations need to continue to support employees as they balance priorities and schedules.

Other leave benefits include affording employees time to address health and family issues—be it paid sick leave, maternity or paternity leave, extended bereavement leave, or time to care for family members. Leaders who address these benefits will be answering an overwhelming call from employees.



With our communities facing social and economic pressures, volunteer time is becoming an increasingly important way to express one's values.

Among employees, 72% say that benefits around volunteerism matter; this includes being allowed company time to volunteer for a social cause chosen by the employee or employer. Yet, only 20% say they are offered this benefit.

Promoting a balance between work and life starts at the top and requires personalization.

Leaders have a vital role to play in determining how their benefits offerings address the values of their employees and their organization as a whole. They can help make the difference between an organization that professes empathy versus one that practices it. As Chief Empathy Officer, the CEO must understand what their employees view as empathetic benefits. This may have different answers across industries, roles, and even generations.

In determining which benefits to invest in, leaders can begin by examining the specific needs of their industry and workforce. For example, not everyone can work remotely, so how can employers design more flexible working situations for essential and frontline workers—including values-based leave benefits and policies? Are more employees working from home and also expected to provide childcare for their school-aged children? Employers will have to be creative to integrate different solutions that show flexibility and empathy.

Employers should also keep in mind that different generations view benefits differently. Employees in Gen Z, for instance, are actually less likely to want volunteer time—and less likely to say there are advantages to values-based benefits altogether.



Compared to other generations, Millennials and Gen Xers are looking for more volunteer time at work.



The U.S. economy was quickly and decisively upended by the COVID-19 pandemic, undergoing a shift from record low unemployment of 3.5% in December 2019 to the very opposite, with an all-time high of 14.7% in April 2020. The longer-term economic impacts are still yet to be seen. The expression "essential worker" has become common parlance in American life, bringing into stark relief the skillsets that keep our economy afloat. Meanwhile, employees who've been working from home are facing new expectations around the technical connectivity and self-management skills required to remain productive. This historical moment requires employers to strengthen and evolve their existing investment in career development.

Building a resilient workforce with the skills they need has always been a must for the empathetic employer, regardless of economic conditions. The 2020 study found 9 out of 10 employees, HR professionals, and CEOs believe organizations that offer skills and professional development programs and invest in their employees are more empathetic. Investment in these programs must be longitudinal to have an impact:

- 95% of employees consider employers providing training on an ongoing basis as important.
- 90% of employees say organizations are empathetic when they allow employees to participate in career development courses on company time, rather than PTO.



9/10

employees, HR professionals, and CEOs believe organizations that offer skills and professional development programs and invest in their employees are more empathetic.

Different roles and generations have nuanced needs for career development support.

Despite nearly universal agreement that career investment from employers is empathetic, there are differences between how leadership and employees experience these programs in practice. **Employees are four times more likely than CEOs to believe their employer doesn't provide enough skills development: only 8% of CEOs believe this to be the case, compared with 34% of employees.** CEOs may be closer to the selection and development of these programs, but promotion and awareness-building among employees must not be overlooked.

Nearly everyone agrees that career development demonstrates empathy, but who should initiate that learning? Interestingly, workforce audiences are split on whether the responsibility of development falls on the employee or employer. Fifty-five percent of employees and CEOs alike agree that employers must increase the skills of its workforce, yet 45% of both groups place that responsibility on individuals.

In today's climate, CEOs may be more suited to lead development efforts, as they're closer to the evolving needs of the marketplace. Organizations must remain engaged with what's in demand on the job market—technical expertise, language skills, management techniques or other areas—and offer employees programs to match.

It's not only leadership and employees that have differing views on skills and career development. The study indicated that generational groups are interested in varying programs from employers. Newer to the workforce, Gen Z is more likely to value having the opportunity to work in different departments on a rotation-type structure. With 85% seeking that benefit, they lead all other generations. Gen Z is also more interested in networking events than their older peers. All groups agree, however, in the value of tuition reimbursement programs and paid time to attend external training courses, as well as ongoing training opportunities for skills that employees need.

As new working arrangements become the norm, and as sectors and industries experience unprecedented changes, organizations that invest in employees' skills and development will foster empathy and build a stronger workforce. The skills highlighted during these trainings may change over the coming year, but the overwhelming opinion at all levels of the workforce is that skills and career development are crucial no matter the state of the economy.



of employees find it important for employers to provide ongoing trainings that they need.

8/10 employees reported

being interested in participating in a variety of empathy skills trainings.

[2018 Report]



Employers are currently being asked to do more for employees with fewer resources at their disposal, and likewise, employees have never before been asked to exhibit such adaptability and commitment to work. Workplace empathy requires an acknowledgement of both of these factors.

The call is clear: 9 in 10 employees believe organizations that recognize employees for professional and personal accomplishments are more empathetic. Employees' conception of recognition includes both monetary and feedback-based rewards—yet employees view both as lacking in their workplaces. Forty-one percent of employees report that their employer does not provide enough recognition to their employees, but only 8% of CEOs agree. Given this disconnect, employers must take action.

Productivity is top of mind for employees when it comes to recognition. Despite employees taking on new, unanticipated tasks in 2020—such as managing remote work while parenting or upholding new workplace safety standards in jobs classified as essential employers may not be appreciating the difficulty of still meeting the mark given emerging conditions.

Finding ways to organically incorporate recognition in the workplace pays off:

- 93% of employees say that when their employer recognizes their professional accomplishments, it boosts their overall work productivity.
- 92% of employees believe that recognition also increases the likelihood of retaining employees.



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Recognizing employees takes new forms in unprecedented times.

What's the best method for employers to communicate their appreciation of employees' work accomplishments? It depends on the individual employee, as well as the demographic to which they belong. We surveyed employees across generations:

- 68% of Gen Z employees, for example, find internal messaging apps (e.g., IM, Google chat, Skype for Business, etc.) to be empathetic channels for communication.
- Regardless of generation, nothing beats in-person communication. 94% of employees find this to be the most empathetic communication tool.

Once health standards adapt to allow more face-to-face communication, it will be important to incorporate in-person time into the ways that employees show appreciation for each other's accomplishments. Short of implementing a widespread recognition program, employers can make great strides by encouraging managers to send appreciative messages for good work.

It's a difficult moment for employers to implement new recognition programs into their operations. Yet this year's study reveals that simply taking a moment to be appreciative of each other in this new climate, and expressing that appreciation through available channels, goes a long way toward employee satisfaction and retention.



72%

of Gen Z finds virtual meetings to be empathetic.

Millennials' belief that virtual meetings are empathetic, however, decreased from 65% in 2019 to 62% to 2020. The same is true of Boomers, whose interest has decreased from 65% to 57% in the past year.

Millennials 62%

Boomers 57%





Fostering an empathetic culture and offering the right benefits for your workforce can't be done in a vacuum. It must account for the overall wellbeing of an employee population—mental, physical and financial.

Myriad factors contribute to the attitude and disposition that your employees bring to their workday. Addressing these factors, and the employee as a whole, has taken on new importance. Ninety-two percent of employees in 2020 said organizations should do more to address the overall well-being and needs of their employees, a 2-percentage-point increase from 2019. Although mental health is only one factor in an employee's overall well-being, it's a crucial one.

At Businessolver, we've seen the importance of mental well-being in years' worth of data. This was true before the pandemic, but now it's front and center. Social isolation, economic uncertainty, and the threat of a dangerous virus have added new levels of pressure on employees' mental health. And the data bears this out. Ninety-six percent of employees say that mental health is just as important as physical health, and last year that number was at 94%.

Despite widespread agreement and some increased awareness around the importance of supporting mental health, stigmas persist in the workplace.

- 64% of employees say reaching out to HR or leadership about a mental health issue could negatively impact their job security, down from last year's 68%.
- Similarly, 76% of employees say companies view someone with a mental health issue as a burden, a 3% decrease since 2019.

While these figures reflect how cultural and workplace norms have begun to shift for the better over the past year, employers must be aware that employees may still not be comfortable speaking to this issue head-on.



of employees say that mental health is just as important as physical health.

To address employee well-being, leaders need to tune in to employees.

Leadership and employees also don't see eye-to-eye on whether organizations take well-being and mental health into account:

- 86% of CEOs say their organization openly discusses mental health with employees, but only 58% of employees agree.
- 97% of CEOs say all levels at their company are empathetic toward the mental health of employees, but only 69% of employees agree.

Especially with many workplaces now working remotely, leaders must invest even more attention into staying close to the well-being of their employees. Regular virtual check-ins and all-company updates can go a long way toward bridging that gap until organizations can continue building empathy in person in the future.

Taking on the issue of employee well-being must consider these figures around mental health, but it only gives a small view of the issue. Mental health, and the ability to address it, is intimately linked to other issues, such as financial well-being and physical health. Employees are frequently showing up to work with the stressors of today's climate top of mind, whether that's financial pressures or concerns about a sick loved one or their own health.

These intersections of well-being remind us of the importance of valuesbased benefits—if you value the well-being of the entire individual, it can help guide benefits offerings. Luckily, leadership is starting to understand this connection. Ninety-two percent of CEOs believe that companies that offer their employees emergency financial assistance (e.g., disaster relief, unexpected medical funds) are more empathetic to their employees, nearly matching employees' 93% agreement.

Fostering an empathetic culture means starting at the top with creating a culture of well-being. This includes emphasizing the benefits available to support mental and physical health, as well as financial well-being. Opening the lines of communication around this issue—especially during a period where it's top of mind for most people—will go a long way to building these critical elements of empathy across industries and demographics.



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A striking milestone in this year's data is the addition of Gen Z for the first time in the study's history. While generational differences aren't all-encompassing, the initial trends we see from younger employees tend to represent trends that will become more solid expectations from workers over time. The goal of studying these generational shifts is to find the programs that can offer new solutions that benefit employees of all age groups.

Gen Z's introduction to the empathy study revealed the following:

- 61% of Gen Z employees find it important that their organization have political influence, which also speaks to the emphasis they place on social causes—82% say using company time to volunteer for a social cause of their choosing is empathetic.
- At least 8 in 10 Gen Z employees feel that having diversity and women in leadership makes an impact on a more empathetic organization.

Introducing new generationally shaped policies into the workplace can be overwhelming for employers. They can begin by, and benefit from, reflecting on the ways Millennials have evolved the workforce. When Millennials entered the workforce, media was rife with messages of the challenges employers would face. With time, however, the expectations of this now slightly older employee group—such as normalizing mental health discussions or requesting more digital communications—have become solutions that all generational groups rely on. **Understanding** and addressing the needs of Gen Z will help businesses adapt to new dynamics and remain competitive.



At least

Gen Z employees feel that having diversity and women in leadership makes an impact on a more empathetic organization.



As we've seen over five years of our <u>State of Workplace Empathy Study</u>, there is no one tactic guaranteed to create an empathetic workplace or culture. Given the challenges we're currently facing—physical and mental health risks, social unrest, individual financial challenges, and overall economic uncertainty—it's paramount that organizations consider wide-ranging solutions that incorporate a variety of approaches. In a complex business and economic environment, this mix of empathetic practices will be required to build resilient workforces and foster ongoing workplace connection.

Here are steps that leaders can take to make a difference now:



Open the lines of communication to leadership. Face-to-face conversations with leadership and HR are seen as empathetic, and particularly important for addressing mental health. While in-person meetings may be more difficult for many industries given the current environment, virtual formats can still provide that face-to-face connection opportunity. Organizations must create these opportunities to listen to employees' concerns regardless of the work environment.



Empower change agents. Employees say their manager is directly responsible for an empathetic work environment, so executive leaders have to set the tone as Chief Empathy Officer, and then ensure that all levels of leaders act with empathy as well.



Promote a values-based approach to benefits. Whether it's flexibility to manage family obligations or paid time to volunteer in one's community, benefits that reflect employees' values are a crucial way to show empathy, both now in our current environment and to build a healthy, well-rounded workforce in the future.



Emphasize the whole person and their overall well-being. As we continue to address the pandemic, economic uncertainty, and calls for social change employers must support the overall well-being of their employees, including overcoming stigmas around mental health, offering benefits for well-rounded physical well-being, and supporting diverse financial needs with empathetic approaches.



Embrace new generational perspectives to improve empathy for all. Recognizing and valuing Gen Z's commitment to social causes and diversity in leadership can create a more empathetic environment for employees of every demographic. Gen Z's emphasis on training and skills development can also benefit older employees in meeting new challenges.

This year's <u>State of Workplace Empathy Study</u> reveals some areas where employers' empathy grew and had a positive impact, including a broader acceptance of mental health as a workplace issue. That said, it also reveals the ways in which workplaces must evolve to meet the new challenges of today and be better prepared for the future. Employers must place a greater emphasis on tuning in to different employees' unique needs and leading by example from the top to be successful in today's dynamic environment.

However, one trend has remained true in every empathy study: By focusing on enacting multiple strategies and approaches, organizations and entire workforces can emerge stronger, more responsive, and more resilient to this and future challenges.

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