Is HR a Cost Center?
The True Cost of Employee Disengagement
Engaged employees are a company’s greatest competitive advantage, but retaining top talent may require you to reconfigure your approach to employee engagement. It’s important to remember that today’s business environment favors the job seeker; your company could be in danger of losing its top performers if they’re not engaged and motivated in their current role.

To effectively engage employees, it is important to define what “employee engagement” means. While there are many definitions, the best fitting comes from Laura-Jane Parker of Postshift who states that “employee engagement is the feelings that individuals have towards their work at the company. It reflects how motivated, and bought-in an employee is to the organization and their role there.”1 In other words, employee engagement is the alignment of both corporate and personal values in an attempt to obtain mutual success. While engaged, employees have great influence on the success of a company; there is another side of the coin: what are some of the consequences of employing a disengaged workforce?

“Employee engagement is the feelings that individuals have towards their work at the company. It reflects how motivated, and bought-in an employee is to the organization and their role there.”1

1 Postshift.com, Laura-Jane Parker, “Stop confusing employee engagement and culture”, January 5, 2017
The Statistical State of Employee Disengagement

Disengagement costs the US economy up to $550 billion per year through a mix of lost productivity and extra hiring costs. According to Gallup’s 2017 “State of the American Workforce” report, only one-third of employees are actively engaged in their work and putting their energy into moving their organization forward. On the other hand, 16 percent are actively disengaged and generally creating roadblocks to their colleagues’ efforts. The remaining 51 percent passively float through their workdays, neither creating problems nor innovating solutions. Furthermore, more than half of today’s employees are at least monitoring the job market for opportunities, if not actively seeking a position elsewhere.

Employee Engagement by the Percentage

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<th>Employee Engagement by the Percentage</th>
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<td>Actively Engaged</td>
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With the unemployment rate at its lowest level in a decade\(^5\), workers have more freedom to pick and choose among employers. The number of available jobs continues to climb and is at 6.2 million, according to a September 2017 report from the Bureau of Labor Statistics\(^6\). This number represents an increase of 282 percent since the low point of 2.2 million jobs during the recession in 2009.\(^7\)

Because of the increase in external employment options, companies must work hard to keep talented employees motivated and happy within their organization. There is no magic elixir that can be used to address the disparate forms of disengagement; what motivates and engages individual employees is subjective. However, there are some universal reasons employees cite as the cause of their lack of motivation including:

- Ineffectual Management
- Lack of work/life balance
- Lack of alignment between employee skills and job function
- No recognition for accomplishments.

Your organization is likely dealing with a workforce that could claim some, all or more of these reasons as the basis for their employees’ depressed motivation. In this white paper, we will outline six ways disengagement threatens your business and goals, and best practices on how to approach it.
Today’s customers expect increasingly high levels of service from every company with whom they do business. Regardless of the growing prevalence of chatbots and virtual assistants, your employees still play a key role in meeting your customers’ needs. Of course, they must be knowledgeable and empowered to solve any problems that arise, but more importantly, they need to be motivated. A disengaged employee won’t own a customer’s problem or take responsibility for exploring every possible solution to it. Instead, this indifferent worker will likely do the minimum needed to complete the interaction and focus on ending the customer’s transaction as quickly as possible. They don’t care if the customer ends up doing business with your competitor because they don’t have any alignment with your business goals.

How does this kind of situation come about? Companies in the United States lose $62 billion dollars a year because of poor customer service, and the bar for expected levels of service is continually being set higher. The evidence for this trend can be seen in survey results indicating that, by 2020, customer experience will be more important than product and price when it comes to differentiating between brands. 72 percent of businesses say that improving their customer service is currently their highest priority. New analytics provide insight into why customers leave, and in 67 percent of these departures, the reason is poor customer service. With the ubiquity of social media in the modern world, an unpleasant experience between a customer and your business won’t be kept between the parties involved, or their close friends and family. Instead, it could reach the eyes of thousands of people via a Facebook or Twitter feed.

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So, what are your available solutions to this problem? You will need to work on employee engagement from several directions while also making sure that your staff members are empowered to creatively solve any problems that may arise. 70 percent of employees stated that being empowered to solve a problem is one of the most essential elements in feeling engaged in their job.\textsuperscript{13} It’s also worthwhile to remind your frontline employees how much their work matters to the organization, and that every person has an impact on your company’s bottom line. Furthermore, it’s a vital best practice to offer \textbf{prompt recognition} and praise to an employee who goes the extra mile to leave a customer feeling satisfied. After all, what gets recognized, gets repeated.

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2. Frustrated Employees Are Under-Productive

Under-productivity takes many forms, and the most damaging of those forms are accidents, errors and safety violations. Employees who aren’t engaged in their jobs are more likely to miss or ignore safety training and disregard proper protocols. As you are aware, any accidents or on-the-job injuries can lead to an expensive chain of events, including investigations, legal services, medical expenses, equipment repairs, new worker training protocols, and lower employee morale. Disengaged workers also have a 60 percent higher rate of general errors, which affect your brand identity and waste everyone’s energy, time and money.

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You can counter this disengagement by involving your staff in developing safety protocols so they have an authentic voice in how they can best accomplish their tasks; teams that are considered engaged experience 48 percent fewer work-related injuries, saving companies $47,988 dollars per worker’s compensation claim.\(^{15}\) Furthermore, you can foster greater alignment with company values by setting clear goals, communicating expectations and showing how daily job duties connect with your company’s core values and business objectives. Employees inherently want to be successful. If you help them see how they fit into the full picture of success, you’ll see a direct increase in engagement.

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Opportunities Abound

Understanding the risks, costs, and impact on health and safety disengaged workers can cause means that your company is ready to step into today’s employment environment. Frequent learning opportunities paired with increased recognition can help deepen employee engagement and increase safety in the workplace. Your competitors might already be ahead of the game with regards to implementing employee education programs. Currently, employers are spending $1,200 annually per employee\(^\text{16}\) to offer new learning opportunities, and this figure is expected to rise in the coming year.

3. Disengaged Employees Call in “Sick”

Disengaged employees always have one foot out the door, looking for the next job opportunity or simply not bothering to come in on some mornings. In addition to decreasing their own productivity, this behavior affects more engaged team members as well because they are forced to pick up the slack. In a tightly woven team environment, even one chronically absent worker increases stress and overburdens others in the workplace, contributing to pervasive absenteeism and increased healthcare costs.

Employee absenteeism also creates chronic problems for your company. Productivity drops, but you can’t simply hire your way out of the problem. Unscheduled absenteeism costs businesses an average of $3,600 per year for every hourly worker and $2,650 per year\textsuperscript{17} for each salaried worker. These costs can include payment for the absent employee, temp workers to fill in for them, and extra administrative time to manage the entire system. Naturally, productivity and quality suffer when you’re having to run your company with a patchwork of absentee, overworked, and temporary staff. Investopedia reports that one survey of 94,000 workers across several industries showed $84 billion in lost productivity due to absenteeism alone.\textsuperscript{18}

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\textsuperscript{18} Ibid
Engage your employees’ minds by properly aligning them with business objectives and roles that match their skills and interests. Provide them with growth and advancement opportunities, so they don’t start looking elsewhere and remain invested and challenged. Survey them frequently and include them at the front-end of planning, so they feel as though they have a say in the direction of their team and the company as a whole.

Corporate jobs require employees to spend most of their day working for the company. So much so that the office becomes a second home, with their peers and managers becoming an extended family. To continue to get the best out of these employees, they should have access to tools that help them manage their health, encourage mindfulness, and give them a greater understanding of financial stability.

It’s not easy to tackle the problem of absent workers because each person’s situation is unique. However, you can create a culture where your employees want to come to work. Empower your employees to be successful by creating a meaningful work environment that makes them smile every day.

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4. Employees Will Leave Your Company

Many of those employees already entertaining the idea of departing your company will eventually put both their feet on the ground and leave for good. 66 percent of all employees say they will look elsewhere for work when they feel unappreciated and undervalued, that number grows to 76 percent for millennial workers.19 These numbers are up from 51 percent of all employees who said they felt this way in 2012. This trend stems from the growing number of young workers entering the marketplace who have higher expectations for job satisfaction, focusing on better work-life balance, and flexible work opportunities to decide how best to conduct their workday. When these talented employees leave, they take with them the knowledge, skills, and experience that contributed to your success.

As the Gallup Workplace report states, “Organizations have nowhere to hide. They have to adapt to the needs of the modern workforce or they will find themselves struggling to attract and keep great employees and therefore customers.”20

Employees desire more than just a paycheck; they can earn money anywhere. Most modern employees crave greater work-life balance, upward mobility, and recognition for their contributions. If your company wants to take steps to ensure your talented employees see a future with your company, you should consider adopting contemporary work practices such as remote work opportunities and flexible work schedules to give employees a stronger sense of work-life balance and create an environment in which they feel valued in totality, not just as an employee. One of the most cost-efficient, highly-adoptable modern work practices is to encourage employee recognition at all levels of your organization.

Recognition Is the Key

Most employees who haven’t received any recognition in the previous week are twice as likely to say they would leave their present company compared to the workers who did feel adequately recognized. Moreover, 54 percent of managers feel that “it’s common for staff to quit due to lack of recognition.” Every employee must be engaged in the way that is most appropriate for that individual. Each of your workers must be clear on the objectives of your business and must be recognized for meeting those objectives. Recognition needs to be in the moment, and it needs to come from peers, senior executives and managers, and customers when possible.

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5. Replacing Employees Is Expensive

Estimates of the true cost of replacing an employee vary, but they range anywhere from tens of thousands of dollars to twice the departed employee’s salary. This cost includes the following:

- Separation costs (exit interviews, severance pay, and higher unemployment taxes)
- Increased overtime and other costs incurred when existing employees pick up the slack to cover a former employee’s duties
- Lower quality of work as overwhelming workloads contribute to increased employee stress.
- Replacement costs associated with recruitment, such as advertising, search and agency fees, applicant screening, interviewing, applicant travel, etc.
- On-boarding costs such as orientation, classroom training, certifications, etc.
- Lower productivity during the learning curve of an inexperienced worker.

Of course, engagement initiatives only work if you know how to properly measure the results. Begin by surveying your employees on their current level of engagement. Once you have this benchmark, create a plan and become more agile. Don’t wait for an annual calendar date to roll around to measure engagement. Instead, keep your finger on the pulse of your workplace by measuring on a continuous basis. Act on the feedback you receive by listening to employees and responding to them quickly by developing real-time next steps to address or recognize the feedback.

Next, change the way you drive engagement in your workforce, offering flexibility and an opportunity to learn. Make it unimaginable for your workers to leave because they feel that the company has invested in them and they see progress in their careers. When done on a personal level that aligns career progress with the enhancement of inherent skills, employees will feel a greater connection to their workplace. 46 percent of employees say they are looking for a change, primarily because their current position doesn’t offer them an opportunity to learn new skills. Build on those new skills by offering rewards in various forms, including the chance for additional responsibility. Employees will rise to the challenge if they feel they are heard, respected and aligned with company goals and vision.

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25 Ibid
6. Indifferent Employees Negatively Impact Profitability

Companies with engaged workers earn 2.5 times more revenue,\(^{26}\) and their net profit margin is 6 percent higher.\(^ {27}\) EHS Today puts it succinctly: “Organizations with low employee engagement scores experienced lower productivity, profitability, job growth and share price over time.”\(^ {28}\) Don’t roll the dice when it comes to your workforce. Engage, align, and recognize your employees, so they stay in the game and achieve greater success for them and the company.

Furthermore, by instituting measures to deepen the engagement and alignment of your workforce, you are eliminating the competitive advantages others in your vertical might have over your business.

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\(^{27}\) Business2Community, Jennifer Costa, “The ROI of Employee Engagement: 7 Stats You Need to Know,” June 21, 2016 http://www.business2community.com/strategy/roi-employee-engagement-7-stats-need-know-015731387b7gX7TDs8dMY1.97

Disengagement is an ugly word. You may already have experienced the toll it takes on business success. To triumph over disengagement, your business must adopt the current best employee engagement practices, searching for ways to evolve them so that they are out front of any engagement deficiencies before they exist. Employees must be aligned with company values and business objectives so that they feel their work has meaning for the entire organization. 2017 marks a new low of 4.3 percent in the unemployment rate.29 This means that retaining employees will be more challenging than ever because they have numerous options. Building their loyalty to your company by instituting these six best practices in engagement is your only pathway to a sustainable future.

Retaining employees can have a profound effect on seemingly disparate aspects of the business. So much so that consistent employee turnover can dramatically affect a company’s bottom line. Implementing some or all the best practices above may increase the likelihood that your workplace culture remains positive, your employees remain productive, and your business remains competitive in the marketplace.

All employees want to feel as though they are a valued member of an organization and that their work will help ensure continued growth and development in their careers. By aligning these needs with key business objectives, companies can overcome costly disengagement, retain your top talent and drive long-term business success. When trying to address decreasing employee retention, keep these best practices in mind:

- Leverage engagement by empowering employees to make decisions
- Involve staff in establishing safety protocols
- Set clear goals to align your people and company values better
- Engage your employees mentally by providing growth and learning opportunities
- Recognize individuals promptly and frequently, and offer your employees the opportunity to recognize each other
- Engage your workforce physically by providing health and wellness programs
- Don’t wait for the annual or pulse survey to listen to your employee and to take action

The Achievers Platform™ is specifically designed to drive higher levels of employee engagement. It’s built to align everyone with business objectives and company values, fueled by recognizing and rewarding shared victories every day.

95% Client Retention
93% Member Satisfaction
84% User Adoption

150 Countries Serviced
77 Net Promoter Score

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30 Achievers customer base retention for FY2015
31 Average survey rating by Achievers customer program members, Q4 2015 - Q1 2016
32 Average employee activation rate across all Achievers customer programs, 2015