

3 Drivers of Employee Engagement ROI



Okay, so you've heard about employee engagement a lot lately. It's everywhere you look—in webinars, at conferences, on LinkedIn, and you can't seem to get away from it. What is it? Why is it so important? Why is it something you hear about at least once a day?

Don't worry, we're here to help clear the air and set things right. There are many interesting things you will want to take note of, so buckle up, and take this trip with us as we uncover three drivers of employee engagement ROI.

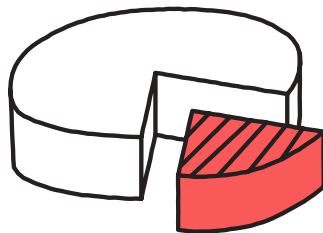
What is Employee Engagement?

Let's start at the beginning. Employee engagement is a sense of belonging, value and well-being in the workplace. It's that feeling of fulfillment and sense of purpose that comes from the best workplaces. Think about your favorite job or hobby. Did you enjoy being involved in it? Were you focused? Did it make you want to try harder, dig deeper, and be better? Was it, in a word, engaging? We're willing to bet it was. Engagement is #1 on the minds of executives around the world¹. Clearly this is an important topic, but why?

By the Numbers

Did you know only about 30% of employees are engaged in their work?² If you've been to your local DMV lately you might think that number is high, but this is no joke. That means on average 70% of the workforce is disengaged and not maximizing their potential. They're a little checked out, distracted, and perhaps even unhappy. While

70% DISENGAGED



nobody can be engaged in anything 100% of the time (it's actually unhealthy, and it's why we need vacations), surely we can be better than 30%.

So if only 30% of employees are engaged at work, what kind of financial impact is this having?

The average annual salary in the U.S. in 2020 is about \$55,000³. Historically, an average employee generates around 3x their annual salary, but some sources have this as high as 5x⁴. To keep things simple let's stay conservative, shall we? A 3x increase of an average salary would give us an average annual revenue generated per employee of \$165,000. It's important to remember that this is an average, and if you were able to engage the other 70% of disengaged employees on a more regular basis you'd be able to increase this number dramatically. Like we said before, though, we're being conservative. But even with conservative estimates it doesn't take a financial wizard to understand the huge impact of employee engagement on bottom lines.

1. [The Social Enterprise at Work](#), Deloitte
 2. [Worldwide, 13% of Employees Are Engaged at Work](#), Gallup
 3. [National Average Wage Index](#), Social Security Administration
 4. [Metric of the Month: Business Entity Revenue Per Employee](#), CFO Magazine

Changing the Game

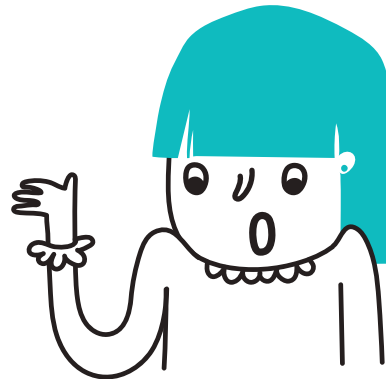
You're probably seeing the signs along our figurative journey: employee engagement is pretty low all around. How can you change that? We've found the simplest way to improve employee engagement is through recognition, rewards, and appreciation. If you've ever received a sincere "thank you" you know that it can make a huge difference in your day. But **engagement-boosting recognition programs also impact productivity, turnover, absenteeism, and ultimately your organization's bottom line.**



Driver 1: Productivity

Companies that don't invest in employee engagement efforts are losing much of the potential returns each year in sunk costs and lost opportunities—all because employees are actively checked out from work.

A strong engagement strategy boosts employee productivity⁵. **Productivity, in turn, can generate over \$28,000 per employee annually(!).** Sounds great, but how did we get to that number?



Let's break it down for an organization of 100 employees:

Employee revenue contribution	Productivity boost from engagement	Recouped revenue per employee	Revenue generated from 100 employees
$\$55,000 \times 3$ $\$165,000$	17%	$= \$28,000$	$\$2.8 \text{ MILLION}$
<small>1 employee generates 3x their annual salary</small>	<small>Average boost is 17%</small>	<small>Result from productivity boost from engagement</small>	<small>Multiply the annual recouped revenue by 100</small>

5. [How Employee Engagement Drives Growth](#), Gallup
 6. [Multipliers](#), Liz Wiseman
 7. [Why is Employee Engagement Important](#), Quantum Workplace



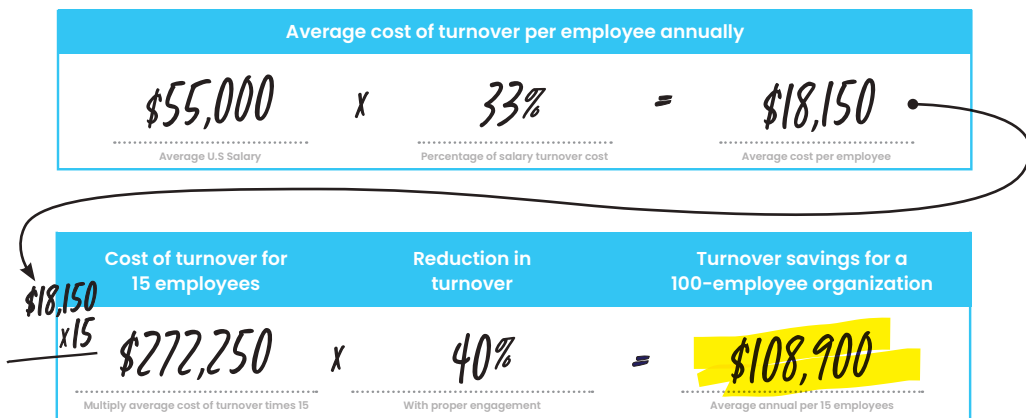
Driver 2: Turnover

According to a report by the Work Institute, on average most companies experience 15% turnover in their employee base each year⁸. When an employee leaves it costs the company approximately one-third of that worker's annual salary. The same report states that this includes expenses such as recruiter fees, temp workers, and lost productivity.

The Work Institute report concludes that with proper engagement strategies such

as robust onboarding and powerful employee recognition, companies can reduce the turnover rate by nearly 40%. All totaled a reduction of turnover by that much would provide incredible cost savings. You'll retain more employees, they'll be more productive, and you'll save on turnover costs. Win-win-win!

So, let's return to our 100-person organization to examine the affect of proper engagement on turnover cost:



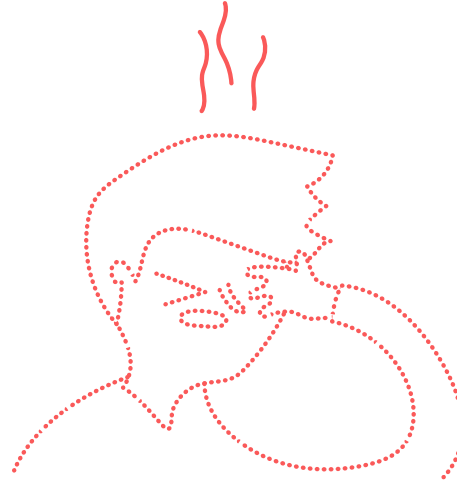
8. To Have and to Hold, SHRM

Driver 3: Absenteeism

Absenteeism is “the practice of staying away from work or school without good reason—or reason at all.”

Absenteeism means not going to work without good reason, and often without providing reason at all, because you just aren't feeling like it. We all have those days where we need some time, but as adults we can't just not show up without good reason.

According to labor statistics the national average for absenteeism is 2.8 percent⁹. This equates to about 7 working days per employee per year, and this impacts potential revenue. Overall, based on the average revenue contributions we talked about earlier, absenteeism results in \$4,620 per year per employee in lost productivity. However, businesses that invest



in employee engagement typically see about a **41% reduction in absenteeism**¹⁰, which would save companies \$1,894 per employee each year.

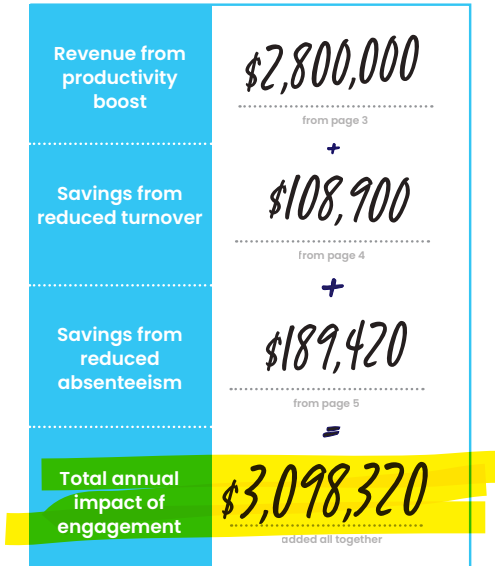
So, how would that affect our organization of 100 people?

Employee revenue	Absenteeism	Lost revenue
\$165,000 <small>Generated annually</small>	x 2.8% <small>National average (7 working days)</small>	= \$4,620 <small>Per employee annually</small>

Lost revenue for a 100-employee	Absenteeism reduction	Savings per 100 employees
\$4,620 x 100 = \$462,000 <small>Multiply lost revenue times 100</small>	x 41% <small>With proper engagement</small>	= \$189,420 A YEAR <small>Average annual per 100 employees</small>

9. Labor Force Statistics from the Current Population Survey, U.S. Bureau of Labor Statistics
 10. Why is Employee Engagement Important, Quantum Workplace

So...per 100 Employees



The Bottom Line

Companies that choose to invest in employee engagement improvement efforts reap the rewards on everything from an improved culture to increased revenue—and that’s just the beginning. Many organizations are recognizing the need for a powerful engagement program, one that provides rewarding recognition, opportunities to support teams, and facilitate a culture of thanks. The great thing about engagement is that it can start small, even with a simple, heartfelt appreciation of effort. When something so easy has such a huge impact, the question then becomes: can you afford NOT to invest in something that will immediately increase your bottom line? We didn’t think so.

Let’s talk about how to improve the ROI of your employees through rewarding recognition.

Get started at award.co/start.



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