



THE RETURN ON ENGAGEMENT CALCULATOR

Who does one most commonly hold accountable for engaging employees in the organization, and how does one assess whether they have been successful in doing the same? **Team managers** and the **Human Resources** department face tremendous pressure to show results when it comes to the effect of **engagement on employee productivity and retention**. According to a 2018 study by Globoforce, 47% HR heads state that **retention and turnover** are their **biggest challenges**. CBI, UK states that 55% of businesses believe that **STRONGER ENGAGEMENT** would better enable them to retain, recruit and carry out succession planning. Clearly, employee engagement plays a huge role in organizational progress, both in terms of work quality as well as monetary returns, if done well.



A **2012** global study by **Gallup** concluded that organizations where employees are highly engaged have **21% increased productivity**. This is a truly significant number. A 2016 SHRM study on **workplace stress** in India, found that **productivity loss** in rupees, **per employee**, per year, averages at **Rs. 19,088**. The total organizational productivity loss in rupees, per employee, per year, showed an average of Rs. 104,384. Considering the average number of employees in **Indian companies**, the **overall productivity loss** amounts somewhere close to **Rs. 55.22 crores per year**.

The assessment of organizational losses highlighted above is one way to tell what engagement could potentially do for a company, but there must be a more **DIRECT METHOD** of calculating exactly how much an organization saves when its employees are engaged, to be able to appreciate the **true significance of employee engagement costs**, as well as justify the expenditure on your initiatives.

HOW CAN ONE MEASURE THE RETURN ON ENGAGEMENT?



- It is a widely known and accepted fact that **employee engagement increases productivity** at the employee level and consequently at the organizational level. A study done in 2012 by Gallup concluded that **productivity** can go up by as much as **21%** in organizations where employees are engaged. This **directly translates** into **monetary benefits** for the company.
- Considering for instance, that for **every rupee spent** on **employee wellness programs**, employers get Rs. 132.33 from **savings on ABSENTEEISM**, engaging employees and ensuring their contentment and well-being at work is imperative.
- In fact, a 2006 Gallup study showed that on an average, **engaged** employees take **2.7 days** of sick leave, while **disengaged** employees take **6.2 days** of sick leave. This clear difference in absenteeism is a reminder of the **direct effects of employee engagement**.

When **average** employment costs of a company average at **3.67%** of employees' **gross** annual salary, according to an Uhy study, it is only justifiable to make sure that employees are engaged and therefore **retained**.

RETENTION is an important factor to consider for **Company Growth** and it is not surprising that this is one of the biggest issues faced by HR departments. However, what is crucial to note, is that employee retention is an **ongoing process**, where if employees are engaged from **day one**, and continue to be so, they are inevitably more likely to stay on.

An article by G&A Partners suggests that on an average, for **mid-level** employees, turnover costs amount to **50-70%** of an employee's annual **salary**. In **low turnover** organizations, engagement efforts have led to a **65% reduction** in turnover with industries and companies with historically **higher turnover** the reduction has been close to **25%**.

Studies have also helped establish a **clear relationship** between **recognition** and **turnover**. What is noteworthy is that the current average turnover across sectors in India averages at 13.1%, according to Statista. Assuming an average of **45%** reduction in turnover as a result of **employee engagement**, the current **turnover rate** could potentially be reduced to as little as **7.2%**. This in turn will also lead to a **reduction** in costs associated with on-boarding a **new employee**.

Losing an employee is also a costly affair with additional cost pegged at approximate of **21%** of the salary of the employee being a benchmark for **recruiting a new one**. This number can go up to **45%** in cases where the recruit is lateral or at a senior level.



THE APPROACH TO ENGAGEMENT

The road to engagement is oft-discussed, but it requires more action. Organizations thrive on the concept of **"CUSTOMER-FIRST"**, making it their motto to forever put the end **user's concerns** and requirements **before all else**. This is justified, because after all, a business grows if the customers support it. But there is a section that often ends up being overlooked in the process – the employees. Putting customers first, with the employees' concerns and well-being at the core as well, is a sure-shot way of enabling greater reach and customer satisfaction. Ultimately it is the **EMPLOYEES** that **make the business**, and the business then reaches the customer. It is, therefore, key to elevate the concept of "customer-first" to the all-encompassing **"People first to deliver customer first"**.

More importantly, it is possible that **Human Resources**, the ones we hold accountable for **"PEOPLE FIRST"**, might be disengaged themselves. With the emotional burden of having to meet employee expectations at an operational level, life is no easy task. On the flip side, if and when the HR team is compelled to churn out one initiative after another, sometimes on the behest senior management, sans a rationale or ownership, they are bound to feel professionally aloof. As important, if not more, is to acknowledge the role they play in the organization and appreciate their ideas and contributions. **Engaging** the HR department is winning half the battle. And the other half? When the HR department is taken seriously. A department that instead of holding itself afar from everyone else, is open to **mixing** with various other departments, coupled with **transparency** ensures that there is respect for the HR team and their choices. Mixing with other departments, however, does not have to entail **unnecessary political correctness**. Respect is earned as a result of informed and clear **professional decisions** and might not just be a matter of designation, seniority or authority.



YOUR RETURN ON ENGAGEMENT

There are several far-reaching effects of employee engagement. Seeing happy employees return to work every day, wanting to give their best comes with their own set of financial gains. To get a truly holistic perspective of the returns on engagement, it is important to factor multiple parameters and also look at your turnover rate.

HERE'S HOW ENGAGED EMPLOYEES POSITIVELY IMPACT YOUR COMPANY!

100
NUMBER OF EMPLOYEES

350,000
AVERAGE SALARY PER YEAR

10%
ANNUAL TURNOVER [%]



ENHANCED PRODUCTIVITY
₹7,619,745



REDUCED ATTRITION
₹1,020,502



REDUCED ABSENTEEISM
₹529,754



ON-BOARDING
₹3,051,318

TOTAL SAVINGS & BOTTOM-LINE IMPACT

₹12,221,319



The Return on Engagement Calculator considers a number of parameters like the number of employees in your company, average salary, average cost of employee benefits, estimated productivity gains, estimated reduced absenteeism, estimated reduction in turnover, average turnover and on-boarding costs and estimated turnover savings due to engagement to arrive at estimated annualized savings.

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We are a
NEW-AGE
Work Culture Consultancy
dedicated to the
pursuit of happiness

On any given day, you will find us working closely with human resources and communication teams across sectors helping them understand their people better, keeping employees engaged, working on creating a strong employer brand and making work life fun, balanced & full of dialogue.

All this, in an attempt to build an admirable culture that attracts and retains talent while we turn Monday mornings into something people look forward to. So, if you want to focus on your Talent while keeping the child within them and your company alive, you've come to the right place!

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