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 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. 104,394. 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 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 Uly 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 C&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 4.5% 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!

<table>
<thead>
<tr>
<th>100 NUMBER OF EMPLOYEES</th>
<th>350,000 AVERAGE SALARY PER YEAR</th>
<th>10% ANNUAL TURNOVER [%]</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENHANCED PRODUCTIVITY</td>
<td>₹7,619,745</td>
<td>REDUCED ABSENTEEISM</td>
</tr>
<tr>
<td></td>
<td>₹529,754</td>
<td>ON-BOARDING</td>
</tr>
<tr>
<td>REDUCED ATTRITION</td>
<td>₹1,020,502</td>
<td>₹3,051,318</td>
</tr>
<tr>
<td>TOTAL SAVINGS &amp; BOTTOM-LINE IMPACT</td>
<td>₹12,221,319</td>
<td></td>
</tr>
</tbody>
</table>

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.
ABOUT NEVER GROW UP ®

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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