



# **The Cost of Disengagement to Your Company**





Growth is back.  
Don't let employee  
disengagement  
limit yours.

	ENGAGED	NOT ENGAGED	ACTIVELY DISENGAGED
Denmark	21%	69%	10%
Malta	19%	61%	20%
Portugal	19%	65%	16%
Spain	18%	62%	20%
United Kingdom	17%	57%	26%
Iceland	16%	75%	10%
Ireland	16%	65%	20%
Norway	16%	77%	7%
Sweden	16%	73%	12%
Switzerland	16%	76%	8%
Germany	15%	61%	24%
Slovenia	15%	70%	16%
Austria	14%	74%	12%
Italy	14%	68%	18%
Luxembourg	14%	72%	14%
Belgium	12%	66%	22%
Finland	11%	76%	14%
France	9%	65%	26%
Netherlands	9%	80%	11%

For results listed in this table, the margin of sampling error ranges from +1 to +6 percentage points. See the appendix for a full listing of margin-of-error estimates by country.

Engaged employees give a company its greatest competitive advantage. But retaining top talent may require you to reconsider the way that you think about employee engagement. After all, in today's business environment working for you isn't the only option your employees have.

Disengagement costs the UK £52-£70 Billion per year in lost productivity.

Only 17% of the UK workforce is engaged, and 26% of the UK workforce are actively disengaged. This is a higher disengagement level than any other country in Western Europe. And what about the remaining 57%? They're not really engaged either, feeling no meaningful attachment to their job and/or company.<sup>1</sup>

Now, more than ever, it is important for UK organisations to engage their workforce. With 2014 annual job vacancies reported at 559,600 in England (up 45% on 2009), and skills shortage vacancies nearly doubling in the same period, a battle for talent is on the horizon, and recruiting, retaining and engaging talent will be of paramount importance.<sup>2</sup>

## Inside the Cost to Your Company of Disengagement:

- Learn why competing in today's business environment is more difficult than ever and what you can do about it.
- Understand the true cost of employee disengagement and how it affects business productivity, retention, absenteeism, customer satisfaction and, ultimately, profitability.
- Discover actionable best practices, abandon old-school engagement strategies and benefit from the resulting cost savings.

## Five Ways in Which Disengagement Threatens Your Business and What You Can Do About It.



### DISENGAGED EMPLOYEES COST YOU CUSTOMERS.

Today, customers make their decision to continue doing business with companies based on the level of service that they receive. They need to know that the company representative they are dealing with is empowered to help with any problems that arise during their transaction, as well as post transaction. It is your employees who ultimately create a pleasing - or not so pleasing - experience for your customers, influencing your customers' emotional relationship with your company.

Disengaged employees rarely own the customer problem, resulting in 70% of UK consumers refusing to forgive bad customer service.<sup>5</sup>

International service company Serco demonstrated a direct relationship between employee engagement and the Net Promoter Score (a measure of customer loyalty). Contracts serviced by employees whose engagement had improved over the year had NPS scores 24% higher than those employees whose engagement had declined.<sup>6</sup>

So what should you do next? Simple. Empower your employees to create more repeatable positive customer interactions.

- Align your employees' daily habits with your customers' needs. Help your employees understand how customer interactions benefit your bottom line.
- Recognise your employees for achievements as soon as they happen. Did someone make a customer happy?
- Recognise them immediately, and so reinforce the behaviour that made the difference.
- Provide the opportunity for customers to recognise your employees, too, and make sure that employees receive that feedback immediately.



### DISENGAGED EMPLOYEES ARE UNDERPRODUCTIVE.

Disengaged employees make 100 times more errors than their engaged colleagues<sup>8</sup>. That's 100 times more energy, time and money wasted because of errors resulting from disengagement. Eliminate these errors by reinforcing exceptional work, at the time, with recognition. Recognising positive behaviour will ensure that it is repeated consistently.

HAVE YOU MEASURED YOUR NET PROMOTER SCORE (NPS) LATELY?

16%

Percentage of customers who will recommend your company for average service<sup>3</sup>

84%

Percentage of customers who would be happy to recommend you for excellent service<sup>4</sup>

For the UK economy to grow, businesses will have to focus on customer service. 78% of the UK's GDP is derived from the service sector, with 70% of UK employees having direct contact with customers.<sup>7</sup>

*(Institute of Customer Service)*

Disengaged employees take 2.3x more sick days than engaged employees.<sup>10</sup>

Sick days cost UK organisations nearly £29 billion a year.

Only 37% of employees have a clear understanding of what their organisation is trying to achieve and why<sup>9</sup>. Help your employees by setting clear goals, communicating expectations and aligning them to your core values and business objectives. Employees want to be successful. If you can help them see a more complete picture of success, you'll see a direct impact on improved engagement.



#### **DISENGAGED EMPLOYEES TAKE DAYS OFF "SICK".**

Disengaged employees look for an escape route from the place they hate most - their workplace. Even worse, your engaged employees (the ones coming in to work and putting in extra, discretionary effort) have to pick up the slack, with a detrimental effect on their own capacity. When employees take time off 'sick', the organisation suffers from a loss of productivity, as well as increased costs.

In 2013, PwC reported that sick days cost UK organisations nearly £29 billion a year, with UK workers taking nearly double the average number of sick days compared to the US.

Furthermore, a CBI report estimates that around 12% of UK sickness absence is fraudulent.

There is a potential saving of at least £3.5bn if UK businesses can prevent their employees from unjustified sickness leave.<sup>11</sup>

It's not easy to tackle the absenteeism problem, but you can create a culture in which your employees want to come to work because they are highly engaged. Empower your employees to be successful by creating a meaningful work environment in which they feel happy and valued, every day. Include them at the front end of planning and align them with business objectives. Give them additional context and perspective so that they don't feel like they're just taking orders but are inspired, instead, by a workplace with clear objectives and focus.

A recent StepStone survey reveals that 74% of employees rarely, or never receive praise from their managers.<sup>14</sup>



### DISENGAGED EMPLOYEES WILL LEAVE YOUR COMPANY.

The number one reason employees leave is a lack of recognition and, according to a recent Harvard Business Review study, recognition also has the largest impact on employee engagement.<sup>12</sup>

Yet 65 percent of employees do not feel recognised at work<sup>13</sup>, and when they leave, they take with them the knowledge, skills and experience that are contributing to your success.

You should expect the cost of replacing an employee to be at least one-fifth of their salary<sup>15</sup>. This cost includes:

- Separation costs (exit interviews, severance pay etc)
- Increased overtime and other costs incurred in existing employees covering a former employee's duties
- Replacement costs associated with recruitment, such as advertising, search and agency fees, screening of applicants, interviewing, travel, etc.
- Settling-in costs, such as orientation, training, certification, etc.

Here's the cost breakdown: let's say your organization has 10,000 employees with an average salary of £30,000. If you experience a reduction of voluntary turnover from 10.5% to 7.2%, you can expect £2.2 million in net savings per year.



10,000 employees

x



Turnover reduction  
from 10.5% to 7.2%

x



£30,000 basic  
salary

**£2.2 million**

per year net saving

Source: Bersin & Associates, The State of Employee Recognition, 2012<sup>16</sup>

Engaged employees are 87% less likely to leave their organisations than disengaged employees<sup>17</sup>. Do you measure employee engagement? If not, now is the time to start. Find where you stand before attempting to address the problem. Once you have a benchmark, create a plan and become more agile. Don't wait to measure engagement annually. Measure it on a continuous basis. Listen to employees and respond to them quickly.

So what should your next move be? Change the way that you drive engagement in your workforce. Make it unimaginable for employees to decide to leave your company. Recognise achievements as soon as they happen, as well as the behaviour that leads to positive action and exemplary results.



#### **DISENGAGED EMPLOYEES HAVE A NEGATIVE IMPACT ON PROFITABILITY.**

A report for the UK government shows that companies with low engagement scores have operating income 33 percent lower than companies with high engagement.<sup>18</sup> Additionally, companies with a highly engaged workforce experience a 19 percent growth in operating income over a 12-month period.<sup>19</sup>

Don't gamble when it comes to your workforce. There is a better way. Engage, align and recognise your employees so that they settle into the company and achieve greater success. Turn the page to find out how to change the way that your business works.

## MARKS & SPENCER

Over a four year period stores with improving engagement had, on average, delivered £62 million a year more sales to the business than stores with declining engagement.

## Sainsbury's

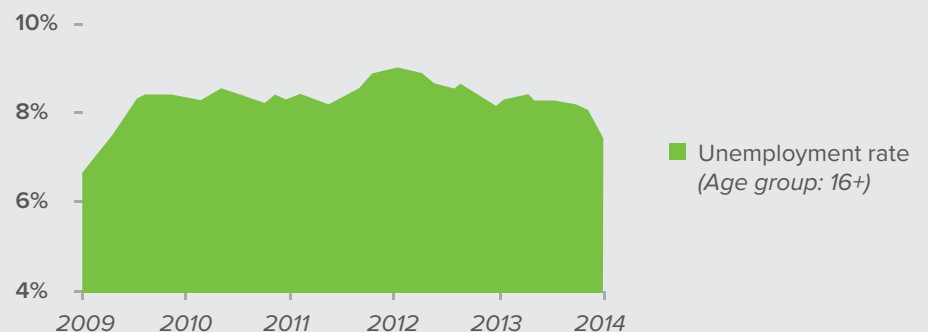
Sainsburys has established a clear link between higher levels of engagement and sales performance, with the level of colleague engagement contributing up to 15% of a store's year on year growth.

## Triumph over disengagement

Disengagement is an ugly word. You know all about it, and you may already have been aware of the toll that it takes on business success. It is imperative to improve employee engagement, align employees to company values and business objectives and create an environment of instant recognition when employees are successful.

In January 2014, the unemployment rate in the UK showed a significant drop over the previous year, down to 7.1% - lower than it had been in the previous five years. As a result, top employers are facing a perfect storm in the battle for talent.<sup>20</sup>

Unemployment Levels Since 2009



Source: ONS, BoE, Datastream, SG Cross Asset Research/Economics<sup>21</sup>

In order to triumph over disengagement, your business must abandon outmoded engagement strategies and adapt to a new reality as a future-focused employer.

Recruiting, retaining and inspiring top talent has never been more essential. According to a City & Guilds Study reported by CIPD, 60% of employers think that the UK is facing a skills shortage, and a third are looking to recruit foreign talent to boost their workforce.

Every employee must be engaged, must be aligned with your business objectives and must be recognised straight away for meeting their objectives by their peers, their managers and even by their customers.



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## The five all-important rules to remember about disengagement

- 01 **Disengaged employees lose you customers.**  
70% of UK consumers will not forgive a business following a poor customer service experience.
- 02 **Disengaged employees are not productive.**  
They make 100 times the number of errors as their engaged colleagues.
- 03 **Disengaged employees take time off 'sick'.**  
Disengaged employees take 2.3x more sick days than engaged employees.
- 04 **Disengaged employees will leave your company.**  
Sixty-five per cent of employees leave because of a lack of recognition.
- 05 **Disengaged employees have a negative impact on profitability.**  
Disengaged employees cost an organisation approximately £3,400 for every £10,000 in annual salary.

Keep all of these rules in mind when you consider the cost to your company of disengagement. Don't leave it until later to make these important changes. Engage your employees, align them to your business objectives and company values, and recognise their achievements as soon as they happen. These are the best ways to overcome costly disengagement, retain your top talent and drive business success.



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