



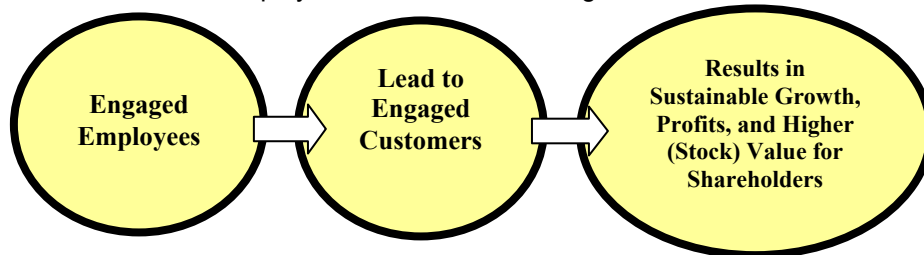
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Employee Engagement

In "Follow this Path: How the World's Greatest Organizations Drive Growth by Unleashing Human Potential", authors Curt Coffman and Gabriel Gonzales-Molina analyze a Gallup Organization study of over 10 million customers, 3 million employees and 200,000 managers. Based on their research, they infer that:



The argument is clear: engaging employees should be a top priority in companies that are striving for success.

What is also clear is that the majority of employees are not engaged, and it costs companies dearly:

Hundreds of diverse companies were studied that shared one extraordinary and troubling statistic. *In a majority of these companies, only 20 to 30 percent of employees were engaged in their work...* The most engaged work groups were the most productive. The rest tended to be average, mediocre, or downright destructive.

Employee disengagement results in: high turnover, low productivity, low customer metrics, and low profitability.

The High Cost of Employee Disengagement

The facts and statistics related to employee engagement can be startling. The numbers in this section highlight evidence in relation to two major areas: retention/turnover and organizational costs.

Retention/Turnover – one of the most obvious results of disengagement is turnover.

- According to a 2003 Towers Perrin study of 35,000 employees employee engagement may be the best predictor of retention or to state this negatively: employee disengagement may be the best predictor of turnover.
- "The importance of engagement is that it simply improves retention. Fully two-thirds (66%) of highly engaged employees have no plans to leave their current jobs, versus just a third (36%) of the moderately engaged and only 12% of the disengaged.
- According to the Gallup research in "Follow this Path", in employment years 3 – 10, 22% of the workforce is engaged, 56% is not engaged, and 22% is actively disengaged (meaning a staggering 78% of employees are disengaged to some degree).
- Disengaged employees are two to three times more likely to leave their jobs voluntarily, leading to average turnover rates in the United States of 15-20%, depending on industry and region.

Costs – The cost of disengagement is steep for organizations on multiple fronts.

- Turnover – The average annual turnover cost to an organization of 10,000 employees is roughly \$84 million (or \$8,400 per employee).
- Productivity lost – According to the Gallup research, active disengagement causes lost productivity that costs an estimated \$3,400 per \$10,000 in salary, this is on top of the turnover costs. The Gallup research further establishes that the least engaged employees are the lowest performers.
- Absenteeism – One hospital network reported that unengaged employees missed 1.9 days more per year and actively disengaged employees missed 4.8 more days per year than engaged employees.

One example cited by Coffman and Gonzales-Molina was of a \$6 billion software organization that had