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Disengagement. You know it. You've seen it...

Maybe you've felt that way. Maybe others in your workplace feel that way. Maybe you've seen it in a bank, a supermarket, a pharmacy, a health care facility, a school, a government facility. It's more prevalent than any of us would like. The costs of disengagement in the USA are estimated at more than $500 billion per year. Read on to learn more about the hidden costs of disengagement and how to reduce them.

Mary Jane Conway-King

Reducing the Cost of Disengaged Workers...

Employee engagement is among the most popular subjects in many managerial circles, but it is less common to hear people speak in specific terms about the real, often hidden, costs associated with *disengagement*.

During meetings with Conway Management's *Partners in Improvement*, these costs were discussed in detail. The Partners concluded that disengaged employees create a negative and expensive *ripple effect* throughout an organization, and drive-up costs in numerous ways:

Higher turnover: Disengaged employees leave their employers as soon as they see a better opportunity. The turnover increases the costs of recruiting, on-boarding, and training, which typically range between 16% – 22% of salary for low-to-mid-level employees, and significantly more for higher-level executives based on a *Center for American Progress* study.

Every new hire brings a risk of a bad fit, and every employee leaving an organization takes with him or her some organizational knowledge that might have been helpful to that organization in future decisions.

Lower productivity, lower profitability: Disengaged employees don't go the extra mile; they do not make an extra effort when faced with a challenge, and don't put forth the same discretionary effort that an engaged person will make. A 2013 article from the *Harvard Business Review* concluded that organizations that cultivate high employee engagement yield a 22% increase in productivity over the norm.

Similarly, McBassi & Company has compiled data which shows that the Engaged Company Stock Index (comprised of 43 companies with high engagement scores), outperformed the S&P 500 by 21.4 percentage points since October 1, 2012.

Little or no process improvement: Improvement requires engagement — a willingness to design and conduct experiments, a willingness to take risks to try something new and potentially better. Often times, disengaged employees focus on their personal agendas and see little upside in trying something new to forward the organization's goals.

The associated **cost of lost opportunities** is difficult to calculate; but it is significant and probably far greater than the direct replacement costs outlined above.

Higher pay: When we say about someone, "They are only in it for the money," we are observing disengagement. While money is important to nearly everyone, if that is the only motivation, there is no genuine engagement. As the behavioral economist, Dan Ariely, said, "Money is the most expensive way to motivate someone." Organizations that are unable to create an environment that intrinsically engages their employees must pay them more to keep and motivate them.

Reducing the Cost of Disengagement

Fortunately, there are proactive steps that can be taken to avoid these costs and the collateral damage to team morale and brand that is a regular side-effect.

Based on research and data shared by the Enterprise Engagement Alliance (EEA) and The Chartered Institute of Personnel and Development, the following five steps can drive employee engagement, and reduce the number of disengaged workers and the associated costs:

1. **Enhanced recruiting and on-boarding** — At the *2016 Engagement World Conference* leaders from several organizations explained how they had increased employee engagement and retention beginning at the recruiting stage. The first steps involved the inclusion of the organization's mission and vision into interviewing conversations, and a more conscious effort to identify and hire people with aligned goals. Adding a mentor program to the on-boarding process helped new hires assimilate faster so they became more productive in less time.

   Enabling people to achieve higher levels of productivity and success early-on promotes greater engagement levels, and reduces first-year attrition rates. Early churn tends to demoralize everyone, so in addition to reducing re-hiring and re-training costs, the costs associated with negativity within the existing workforce are also reduced.
2. **Consistent performance management and communication** — People need to have meaning in their work, and understand how their work aligns with organizational objectives. This point was well made by several speakers in an episode of TED Radio Hour, called The Meaning of Work. If managers communicate a shared purpose or sense of direction, and encourage employees to openly share their perspectives and input, then they can increase employee engagement.

   This communication works best when systematized as part of structured, proactive approach to performance management. This methodology includes frequent feedback rather than annual performance appraisals and reviews, ongoing engagement surveys with real-time feedback loops, and protocols for keeping people aware of how individual work impacts organizational goals and how it aligns with mission and vision.

   Helping teams and individuals achieve greater levels of productivity through effective management is a proven driver of engagement. Research from Gallup on employee disengagement suggests that highly motivated people can become disengaged when their supervisors don't ask for their opinions, don't offer feedback, show little interest in them as human beings, and ask them to do jobs that are not suited to them. "Quitting is almost always a statement against the immediate superior," the report said. Similarly, as expressed in a Forbes article by Victor Lipman, author of *The Type B Manager: Leading Successfully* in a Type A World, "People leave managers, not companies."

> People leave managers, not companies..."
>
> *Victor Lipman*

Technology has also changed the way we communicate, and the everyday use of cell phones and social networks has increased the speed at which we can communicate. A Marketing Innovators article suggests, "These changes have relevance in the workplace and in our personal lives." Workplace social platforms can help managers and leaders achieve and maintain the necessary frequency of communication required to promote a culture of engagement, or help to win-back those who have become disengaged. This part of the equation should not be overlooked; according to Gallup, actively disengaged employees cost the United States between **$450 billion** and **$550 billion** in lost productivity per year.

3. **Learning and development** — A young, fast-rising junior executive had been working at a large bank for just over six years. When he was asked about his job and how he felt about it he said, "The job's OK." His lack of enthusiasm was evident, and when pressed to say more he added, "Well, I'm not really learning much anymore." He went on to confirm that he was not truly engaged, and that he did not make much of an extra or discretionary effort, which engaged workers regularly make. Forward-thinking business leaders understand that the path to sustainable employee engagement is to drive productivity, and to do so through ongoing education and empowerment.

   In support of this perspective, a recent article in *Human Resource Executive* magazine identified "continuous learning opportunities and personal development" as being two of the four key criteria (scheduling flexibility and social responsibility being the other two) recent graduates value most as they evaluate career options.

   But expanding workloads and limited resources can make it difficult to provide initial and refresher training for senior leaders, associates, and new hires.

   Learning management systems (LMS) enable many organizations to maintain training and development programs in a manageable way. These systems address the administration, delivery, and tracking of electronic education technology or e-learning courses.

4. **Recognition and rewards** — Recognizing and rewarding employees is not a new concept, but if the goal is to engage people rather than simply acknowledge milestones (such as length of service), then the approach must be aligned with what is **meaningful to each recipient**. An EEA article outlines an effective approach, which begins by stepping-back from the traditional monetary rewards. "To receive a deeper level of benefit that can come from sincere recognition, look beyond monetary rewards and get to the human connection – reward employees in ways that connect with them emotionally and psychologically," the article suggests.

5. **Flexibility and work/life balance** — Employer/employee relationships, expectations, and engagement criteria have evolved significantly over the past decade. In the Human Resource Executive article referenced above, data from a PwC survey of 44,000 workers who had become less-

engaged indicated that "71% said their jobs interfered with their personal lives, and 70% said they wanted to be able to work from home."

Employees can also become disengaged when they feel their managers "only care" about the bottom line. More than one-third of U.S. employees (39%) don't believe their bosses encourage them to take allotted vacation days, and almost half (45%) say their bosses don't help them disconnect from work while on vacation, according to a Randstad survey. Employers who proactively maintain positive relationships with employees and encourage them to utilize allotted vacation time are more likely to boost company morale, reduce turnover and increase productivity.

Once an organization's leadership recognizes that the cost of disengagement is real and that taking proactive, strategic steps to increase engagement is the means for reducing that cost, then the opportunities for improvement are significant. Both employee engagement and continuous improvement can (and should!) be profit centers as opposed to cost centers.