

Employee Engagement: The Business Case

What's the impact of investing in employee engagement on my bottom line?

Active employee engagement provides a variety of benefits for your business, such as:

Reduced turnover

Employee turnover can be a financial burden to your business. For workers earning less than \$50,000 annually, [the typical cost of turnover is 33% of an employee's annual salary](#). The estimated cost to replace a \$10-per-hour retail employee [is approximately \\$3,300](#). Successfully engaging employees means they're more likely to stay at—and grow with—your business. Lower turnover helps to reduce the costs of training and hiring. In addition, high retention rates can also help your business grow more quickly because highly-engaged employees tend to refer their friends to open positions. To understand the factors contributing to the real “total cost” of losing an employee, check out [Employee Retention Now a Big Issue: Why the Tide has Turned](#).

Cost of Turnover Tool

UpSkill America and The Aspen Institute's Workforce Strategies Initiative partnered to create a more tailored approach for businesses to calculate the cost of turnover. Their [Cost of Turnover Tool](#) walks businesses through the steps to calculate the cost of turnover for their business. The tool is designed to help businesses understand the impact of turnover on the bottom line by taking in both direct and indirect costs of turnover. Direct costs of turnover include:

- Separation costs to part with an employee (e.g. separation pay, staff time to process separation)
- Daily vacancy costs to cover the open role on staff (e.g. overtime for another employee)
- Recruitment and screening costs to hire a new employee
- Orientation and onboarding costs for a new employee

Indirect costs attributable to turnover can include:

- Shrink costs such as reduced profit from administrative and scanning errors
- Safety costs due to increased legal and compliance costs from worker and customer injuries
- Lost sales from reduced customer service, increased stockout, and similar challenges from understaffing

The tool comes in two formats: a worksheet that allows you to collect the information you need, and a Microsoft Excel version that will do the math for you. The goal of the tool is to help businesses better understand how churn impacts their bottom lines.

Financial resilience

SJF Ventures' [Employees Matter](#) report profiled 24 companies of varying sizes and industries that focus on employee engagement. The report is full of tips and advice for different kinds of engagement strategies, and how each affected the business' growth. Their research also showed that businesses who actively engaged their employees—through transparency with the business' financial health and with strong communication—[tended to better weather the ups and downs of the market](#).

High customer service and satisfaction

More engaged employees tend to provide better customer service because they find meaning in their work and understand how their performance impacts the success of the business. Strong customer service can have a positive impact on sales, as well as company reputation.

Engagement's effect on key business outcomes

When compared with business units in the bottom quartile of engagement, those in the top quartile realize improvements in the following areas:

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Source: [State of the American Workplace](#), Gallup