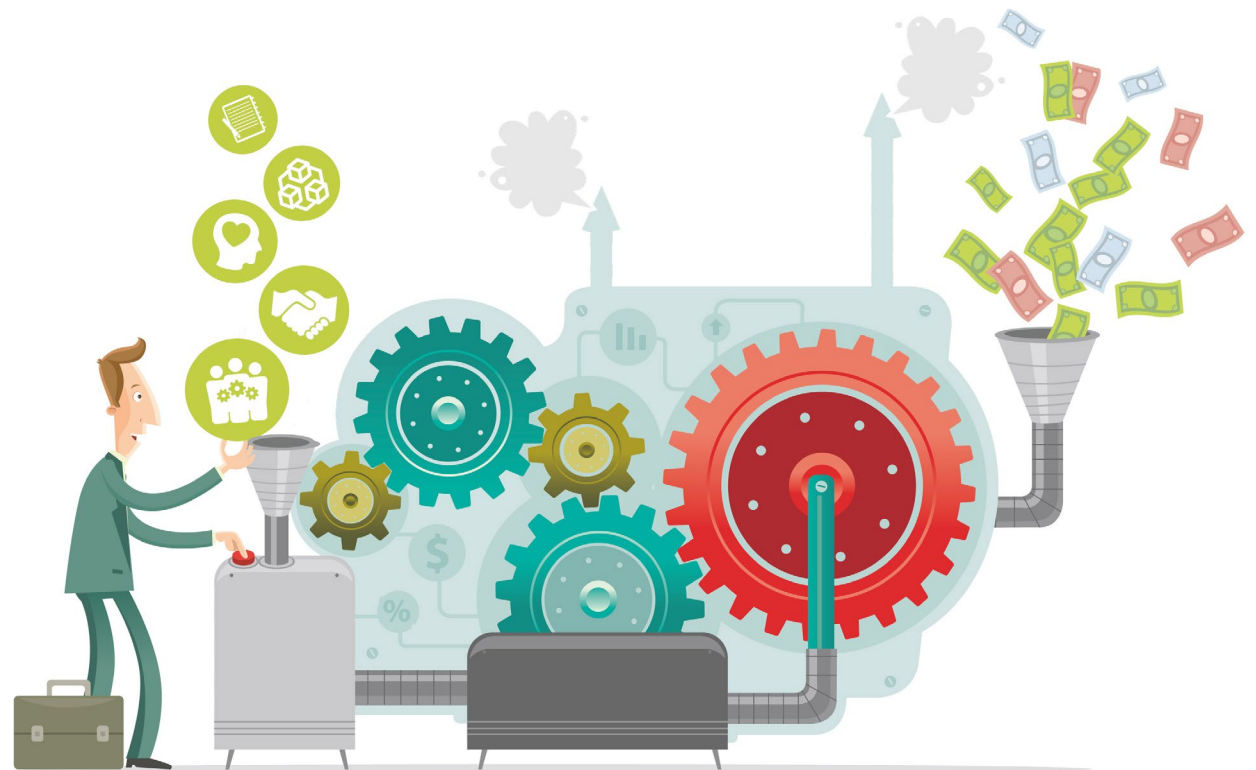


# *The Value of Employee Engagement*

*A Guide to Discovering the Business Impact  
of High-Engagement Employees*



## Introduction

Today's business leaders are faced with many challenges brought on by recent economic, technological, demographic, and social changes. All of these challenges are affected by an organization's ability to create and maintain employee engagement. According to a Gallup report, employee disengagement costs the U.S. economy more than \$500 billion annually<sup>1</sup>. Improving engagement is one of the most important business challenges of the decade. Successful employee engagement not only leads to increased productivity and job satisfaction, but ultimately affects a company's growth and profitability.

To effectively engage employees, it's important to take a deeper look at:

- Why engagement is important to a business's success
- How to measure and classify an employee's level of engagement
- What factors influence and impact engagement

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<sup>1</sup> Gallup: 70% of Workforce 'Not Engaged,' Costs Billions in Lost Productivity | June 26, 2013  
<http://screenwerk.com/2013/06/25/gallup-70-of-workforce-not-engaged-costs-billions-in-lost-productivity/>

## The Value of Engaging Employees

Over the past 15 years, “employee engagement” has become an increasingly popular topic amongst HR professionals nationwide. But what is employee engagement? Simply put, employee engagement is the personal and emotional attachment an employee has to his or her work. In an engaged workplace, employees:

- Feel attached to the organization’s values, goals, and ethics
- Are proud to work for the organization
- Recommend the organization as a good place to work
- Value the intrinsic rewards gained from working there

In a 2014 Deloitte survey, 78 percent of business leaders rated retention and engagement as “urgent” or “important” to their strategic business plans. In the same survey, 34 percent of respondents admitted to having an outdated engagement strategy or no strategy at all<sup>1</sup>. While many organizations focus on strategies to attract top talent, engaging and retaining talent often falls by the wayside. HR leaders and the C-suite have both realized retaining an engaged workforce is one of the biggest competitive differentiators in a prosperous business. Employee engagement programs can increase company profits by \$2,400 per employee annually<sup>2</sup>. **HR professionals and executives agree: engaged employees have a positive ripple effect on the organization.**



1 Global Human Capital Trends 2015 | January 11, 2015  
<http://www2.deloitte.com/global/en/pages/human-capital/articles/introduction-human-capital-trends.html>

2 Employee Engagement & Loyalty Statistics: The Ultimate Collection | August 5, 2014  
<http://blog.accessdevelopment.com/index.php/2014/08/employee-engagement-loyalty-statistics-the-ultimate-collection>

## Measuring Employee Engagement

HR professionals can begin to identify their organizations existing level of engagement by using data analytics and reporting. While many indicators of employee engagement are qualitative in nature, there are several quantitative metrics to help estimate current level of engagement. Whether HR professionals perform these analyses manually by spreadsheet or choose to simplify this process with Human Capital Management (HCM) software, there are three key measurements to assess engagement:

- 1** **Average Tenure:** The length of time an employee has worked for an organization.

**4.6 YEARS<sup>1</sup>**

*The median number of years U.S. workers have been with their current employer.*

- 2** **Turnover Rate:** The percentage of employees who leave voluntarily in a given time period.

**10.4%<sup>2</sup>**

*The average voluntary employee turnover rate in the U.S. in 2013.*

- 3** **Retention Rate:** The percentage of employees who remained on staff from the start to the end of a time period.

**150 - 200%<sup>3</sup>**

*The estimated cost of the employee's salary to find and train a replacement.*

These metrics can serve as a baseline of employee engagement at any given time. Once a baseline of engagement is established, companies can use HCM software to pull the data needed to monitor these indicators.





<sup>1</sup> *Employee Tenure in 2014* | September 18, 2014  
<http://www.bls.gov/news.release/pdf/tenure.pdf>

<sup>2</sup> *Case Study: Reducing Workplace Turnover* | November 22, 2014  
<http://www.staffinginc.com/case-studies/case-study-reducing-workplace-turnover>

<sup>3</sup> *Global Workplace Analytics* | October 11, 2013  
<http://globalworkplaceanalytics.com/>

## Employee Engagement Spectrum

After evaluating employee engagement at the organizational level, it's important to take a look at how engaged employees influence a company. Over 50 percent of U.S. workers are "not engaged" according to a 2014 Gallup poll<sup>1</sup>. Disengaged employees can not only negatively influence a company's success, but also affect the morale and productivity of coworkers. There are four levels of engagement that employees can be categorized into: engaged, contributing, disengaged, and hostile. Each of these levels have distinct characteristics of employee performance and influence on others.

Engaged	Contributing	Disengaged	Hostile
 <ul style="list-style-type: none"> <li>• Advocates for the company</li> <li>• Intends to stay with employer</li> <li>• Leads with discretionary effort</li> <li>• Highly favorable employee</li> </ul>	 <ul style="list-style-type: none"> <li>• Something holds them back from fully engaging</li> <li>• Opportunity for increased performance</li> <li>• Moderately favorable employee</li> </ul>	 <ul style="list-style-type: none"> <li>• Indifferent to working there</li> <li>• Lack of motivation</li> <li>• No initiative</li> <li>• Distracted and at-risk for retention</li> </ul>	 <ul style="list-style-type: none"> <li>• Gossip with colleagues</li> <li>• Negative attitude</li> <li>• Lack of commitment</li> <li>• Negatively impacts productivity of others</li> </ul>

<sup>1</sup> Gallup: 70% of Workforce 'Not Engaged,' Costs Billions in Lost Productivity | June 26, 2013  
<http://screenwerk.com/2013/06/25/gallup-70-of-workforce-not-engaged-costs-billions-in-lost-productivity/>

## What Impacts Employee Engagement?

While factors impacting employee engagement can be quite extensive, there are five key areas that can be monitored for their effect on engagement: transparency, development opportunities, manager effectiveness, peer culture and performance management.

### Transparency

Improving employee engagement begins by making it a corporate priority. Enhancements in engagement can't simply start with HR professionals; changes must be implemented and supported from the top down. Transparency is the number one factor contributing to employee happiness, with management transparency having a high correlation with employee happiness<sup>1</sup>. The more trusting and open an organization is with its employees, the more they will feel valued as members of the organization.

Structured employee communication aids in increasing transparency and delivering key company information. An alarming 58 percent of employees don't know their organization's vision, mission, and cultural beliefs<sup>1</sup>. Employers will struggle to have engaged employees when core values and beliefs are not clearly communicated. While bulletin boards in the lunchroom can be useful, today's modern workforce expects digital communication.

HCM software often provides tools to simplify communication. Leveraging an Employee Self-Service dashboard can give leaders an opportunity to share news items, company culture and values, upcoming events, policies, and more to keep employees informed and engaged. What's more, as today's modern workforce contains both in-office and remote employees, the Employee Self-Service dashboard can be a hub for open communication. Employees can visit the Self-Service dashboard on a regular basis via a desktop, laptop, mobile device, or tablet.

### Did You Know?

**Paylocity's Self-Service portal** helps improve communication between HR leaders, executives and employees. Self-Service provides the ability to:

- Post and manage company news items
- Add reminders
- Create custom web pages
- View organizational chart
- Download videos and more!

*All designed to keep employees informed and engaged.*

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The 2013 TINYpulse Employee Engagement Survey | August 15, 2013  
<https://www.tinypulse.com/resources/employee-engagement-survey-2013>

## **Development Opportunities**

When interviewing, most job candidates have questions about personal development and growth within the company. Although growth opportunities may mean something different to each prospective employee – money, title, responsibility, etc. – most employees want to believe there is a future for them. To decrease voluntary turnover, employees must be engaged and have a reason to stay.

Employee development is a proactive way to ensure low turnover. Creating opportunities for strategic growth and advancement will undoubtedly increase employee engagement. In a 2014 Deloitte survey, 73 percent of employees who say they work at a “purpose-driven” company are engaged, compared to just 23 percent of those who don’t<sup>1</sup>.

Helping individuals understand the value of their part in achieving organizational goals has a massive influence on engagement. Developing an employee’s skills and knowledge not only helps individuals realize their value, but also leads to higher engagement, increased customer satisfaction, fewer errors, and improved morale.

### *Here are a few ways to develop and advance the careers of current employees:*

- Training
- Self-Directed Learning
- Coaching & Mentoring
- Job Enrichment
- Employee Promotion
- Job Rotation & Cross-Training
- Lateral Moves
- Job Aids

<sup>1</sup> Global Human Capital Trends 2015 | January 11, 2015  
<http://www2.deloitte.com/global/en/pages/human-capital/articles/introduction-human-capital-trends.html>

## Manager Effectiveness

A manager's influence on employee engagement cannot be understated. HR must support, empower, and hold managers accountable for driving engagement. Research shows that high-performing companies spend 1.5 to 2 times more on leadership development than low-performing companies, and reap results that are triple or quadruple the levels of their competitors<sup>1</sup>. Leadership development is an ongoing, strategic initiative intended to develop effective leaders within an organization. HR must develop, equip, and empower managers with the right tools to translate the corporate vision into day-to-day business practices.

Through the advanced capabilities of HCM software, HR professionals can run reports to help identify indicators of the top performing managers in departments or the entire organization. Similar to the methods used for analyzing company-wide engagement – average tenure and turnover rates – these metrics can easily be gauged at the regional or manager level.

	Average Tenure (Manager's Team)	Turnover Rate (Manager's Team)
Manager A	1.2 years	19%
Manager B	3.5 years	7%

As illustrated above, Manager A's team has a much shorter length of employment and relatively high rate of voluntary departure in comparison to Manager B. While there are likely other factors contributing to these numbers, these measurements can be used as a starting point to identify where pitfalls in manager effectiveness may lie. It may be that Manager A is under-performing, however it could also indicate the need for training and resources to improve effectiveness as a manager.

## Did You Know?

Using **Advanced HR Analytics and Reporting**, easily evaluate manager performance by looking at metrics such as average tenure, turnover rates, retention rates and more using Paylocity's HR Insight Charts.

Compare managers by:

- Department
- Region
- Title and more!

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<sup>1</sup> Global Human Capital Trends 2015 | January 11, 2015  
<http://www2.deloitte.com/global/en/pages/human-capital/articles/introduction-human-capital-trends.html>



HCM software can be used as the platform to encourage and improve manager performance. HR leaders can make training tools available, such as links to videos, webinars, documents, events and more to aid in the growth and development of managers. By making these items available for managers across the organization, HR professionals can emphasize consistent areas of focus, messaging and advice to improve manager effectiveness.

## Peer Culture

In a recent survey, collaboration ranked as the top trait employees enjoy about their coworkers. In today's modern office, colleagues may not be in the next cubicle over, but on video chat thousands of miles away. HR strategies must adapt to this shift and encourage a collaborative environment within an organization. One way to do this is by leveraging Peer Recognition tools. According to the US Department of Labor, 64 percent of all working Americans leave their job because they are not recognized<sup>1</sup>. Paylocity's peer-to-peer social recognition tool, Impressions, gives employees the ability to recognize each other and provide immediate feedback from anywhere and at any time. Administrators have the ability to give their employees the option to post their accomplishments on their employee profile to share with co-workers and other members of the organization.

Corporate culture and employee relationships are enhanced when peer recognition and appreciation are displayed in a public forum. 36 percent of employees said peer-to-peer recognition in a simple, frequent manner boosts intra-organization relationships<sup>2</sup>. HR departments, managers, and supervisors can engage employees and maintain a positive energy through a single system, accessible from anywhere.

Today's generation of workers expect immediate gratification for a job well done. Using mobile-friendly Peer Recognition tools, employees are able to send praise and appreciation to each other immediately from anywhere, anytime. With positive reinforcement from user-friendly solutions like these, employee engagement can be quickly boosted.

## Did You Know?

*Mobile-friendly recognition tools could be at your fingertips? With Paylocity's peer-to-peer social collaboration tool, **Impressions**, employees can easily recognize each other from anywhere and at any time.*

*Enhance engagement by allowing employees to:*

- *Provide timely, meaningful recognition*
- *Promote positive collaboration among employees*
- *Improve intra-organization morale with a mobile-friendly tool*

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<sup>1</sup> *How a Culture of Appreciation Develops Engaged and Loyal Employees* | April 1, 2013  
<http://switchandshift.com/how-a-culture-of-appreciation-develops-engaged-and-loyal-employees>

<sup>2</sup> *The 2014 TINYpulse Employee Engagement and Organizational Culture Report* | August 15, 2014  
<http://www.tinyhr.com/2014-employee-engagement-organizational-culture-report>

## Performance Management

Performance management not only affects engagement, but also impacts an employee's success within the organization. Managing employee performance and setting mutually beneficial objectives facilitates learning and growth for employees within the company. By helping employees identify areas of strength as well as areas that can be improved, clear expectations and goals can be set between performance reviews.

While management practices once pushed companies toward a highly competitive performance management process, today many companies are finding that pressure and competition often lead to high turnover, inefficient use of time, and ultimately poor business results. A recent Deloitte survey gathered that only 8% of companies report performance management process drives high levels of value, while 58% say it is not an effective use of time<sup>1</sup>.

Today's Performance Management tools allow for formerly tedious tasks to now be automated and stored in a single location. Through automation of the review process, managers can monitor employee performance regularly, while tracking goal accomplishments and development by easily accessing past reviews. These tools engage employees through features such as employee self-appraisal, clearly communicated goal setting and measuring, and the ability to gather and store feedback from various supervisors or co-workers. By simplifying the performance review process, organizations can increase efficiency in managing and engaging talent.

## Conclusion

Successful companies understand that highly-engaged employees are a key to success. As it becomes more difficult to attract top talent, HR leaders must implement employee engagement initiatives to retain talent. Becoming a leader in employee engagement has far reaching effects on the company. By establishing a baseline of current employee engagement and closely monitoring the biggest indicators impacting engagement, improvement can be made. There is no one correct way to improve employee engagement. But by following a combination of steps in the right direction a culture of inspired and engaged employees can be fostered.

## Did You Know?

Using **Paylocity's Talent Management** tools, you can:

- Allow employees to actively participate in the performance review process with Employee Self-Appraisal functionality
- Help managers and employees clearly define and agree upon goals and objectives
- Provide the ability to request feedback from multiple personnel in different departments via 360 Reviews

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<sup>1</sup> Global Human Capital Trends 2015 | January 11, 2015  
<http://www2.deloitte.com/global/en/pages/human-capital/articles/introduction-human-capital-trends.html>

## *About Paylocity*

Paylocity is a provider of cloud-based payroll and human capital management, or HCM, software solutions for medium-sized organizations. With comprehensive and easy-to-use solutions, Paylocity enables its clients to manage their workforces more effectively. Paylocity's solutions help drive strategic human capital decision-making and improve employee engagement by enhancing the Human Resource, Payroll and Finance capabilities of its clients.

For more information, visit [www.paylocity.com](http://www.paylocity.com).

