



5 WAYS TO CALCULATE THE COSTS OF LOW EMPLOYEE ENGAGEMENT

Most employers know that an engaged workforce is more likely to be a more productive one, but less acknowledged is the link between engagement and the health and wellbeing of staff. When employee engagement is low, the health and wellbeing of employees can also suffer. The reverse is also holds true. When employee health and wellbeing is low due to work and/or personal issues, employee engagement drops.

1. HIGH STRESS, ANXIETY, DEPRESSION VS. NET PROFIT

The average loss of operating net profit in Canada due to mental illness of all forms is 14%. This does not include: addictions or other physical health problems associated with mental health problems. It also does not include lost opportunity costs, replacement worker training, disruption of corporate continuity and team functioning, or the unclassified 1-2 day absences.

1. Average loss of annual net operating profit *	14.0%
2. Your Estimated Net Profit	
Estimated Lost Net Profit (Line 1 x Line 2)	

* *The Unheralded Crisis in Canada: Depression at Work* Global Business and Economic Roundtable on Addiction and Mental Health, 2000

2. MENTAL HEALTH DISABILITY CLAIMS & ABSENCES

The costs related to mental health disability and low wellbeing represent a significant cost of a company's total payroll. These costs range between 4% and 12% of total payroll. Use the table below to calculate the ranges for your organization.

	Low	High
1. Represent up to 4 - 12% of total Canadian business payroll costs*	4.0%	12.0%
2. Your Total Payroll (estimate)		
Estimated Mental Health Disability Claims (Line 1 X Line 2)		

* *Staying@Work Effective Presence at Work 2007, Watson Wyatt Worldwide*

3. ABSENTEEISM

Absenteeism can be defined as a pattern of missing work in which an employee is habitually and frequently **absent** from work. Absenteeism does not include leaves to which an employee is entitled (e.g. bereavement leave) or days away from work where an employer has actually granted an employee permission to miss work. Calculate the costs of absenteeism in your organization using the table below.

1. Days absent is 9.6 days per employee per year or 3% of salary *	3%
2. Average employee annual salary	
3. Absenteeism Costs per employee per year: (Line 1 x Line 2)	
4. Number of employees	
Total Absenteeism Costs (Line 3 X Line 4)	

* *Statistics Canada 2016*

4. PRESENTEEISM (UNENGAGED)

Presenteeism refers to a loss of workplace productivity resulting from employee health problems and/or personal issues while the employee is physically present at work but is unable to fully perform their work duties and is more likely to make mistakes in the work they do perform. Low employee engagement results in higher levels of presenteeism; high employee engagement decreases the amount of presenteeism.

Calculate the cost of presenteeism to your organization using the table below.

	Low	High
1. Canadian rate is 7.5 – 10 times higher than absenteeism (3%) *	22.5% of salary	30% of salary
2. Your Average employee annual salary		
3. Presenteeism Costs per employee per year: (Line 1 x Line 2)		
4. Number of employees		
Total Presenteeism Costs (Line 3 X Line 4)		

* Statistics Canada

5. EMPLOYEE DISENGAGEMENT (ACTIVELY DISENGAGED EMPLOYEES)

There is a significant difference between Unengaged employees and Actively Disengaged employees. Actively disengaged employees aren't just unhappy at work – they are resentful that their needs aren't being met. These employees are busy acting out their unhappiness. Every day, they are potentially trying to undermine what the most engaged employees build. In their 2016 State of the American Workplace Report *, Gallup estimates that a disengaged employee costs an organization approximately \$3,400 per \$10,000 of salary – a rate of 34%. NOTE: Actively Disengaged Employees are different than Unengaged Employees.

Calculate the cost of presenteeism to your organization using the table below.

1. Number of employees	
2. % of actively disengaged employees *	16%
3. Number of actively disengaged employees (Line 1 x Line 2)	
4. Your Average employee annual salary	
5. Total Salary of Disengaged Employees (Line 3 x Line 4)	
6. % cost of salary of actively disengaged employee *	34%
Total Disengagement Costs (Line 5 X Line 6)	

* State of the American Workplace: Employee Engagement Insights for US Business Leaders, Gallup Organization, 2016

HOW TO USE THESE CALCULATIONS

- Calculations 1 & 2 are stand-alone calculations. They each provide a unique way to calculate a total cost to you company in that category. For example, in Calculation 1, assume your net profit is \$75,000. The potential cost of high stress, anxiety, and depression alone would be approximately \$10,500.

2. Calculations for Items 3 & 4 can be added together to get a total cost for absenteeism and presenteeism for the year. For example, if your average employee salary is \$40,000, then the cost of absenteeism for one employee is approximately \$1200 per year per employee. If you have 10 employees, then the total cost is \$12,000 per year.

To continue the example, the minimum cost of presenteeism is 22.5% (7.5 times the cost of absenteeism). Using the same annual salary and the same number of employees as above, the cost of presenteeism is \$90,000. The total cost of absenteeism and presenteeism would be approximately \$102,000 per year. Both of these costs are directly related to the effects of low employee engagement.

3. Calculation 5 is another stand-alone cost – adding it to any of the other costs would give you an over-inflated, inaccurate value of the costs of low engagement. For example, using the same information as the example. You would have 1.6 **actively disengaged employees** times their annual salary of \$40,000 which is \$64,000. Take 34% of this total salary and the cost of **actively disengaged employees** would be approximately \$21,760.

IMPORTANT NOTE: All of these costs represent OPPORTUNITIES to reduce their impact on the bottom line. Investment of resources into reducing these costs can improve overall profitability. For more information about various strategies, order your copy of *The Three-Legged Stool, Employee Engagement = Higher Profits* at www.danacouillard.com or www.rippledynamics.com.