



## Employee Engagement and its effect on Employee Retention

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### KEYWORDS :

#### Introduction:

#### Employee Engagement:

According to the business dictionary Employee Engagement is "Emotional connection an employee feels toward his or her employment organization, which tends to influence his or her behaviors and level of effort in work related activities. The more engagement an employee has with his or her company, the more effort they put forth. Employee engagement also involves the nature of the job itself - if the employee feels mentally stimulated; the trust and communication between employees and management; ability of an employee to see how their own work contributes to the overall company performance; the opportunity of growth within the organization; and the level of pride an employee has about working or being associated with the company".

In the words of David Macleod: "This is about how we create the conditions in which employees offer more of their capability and potential".

Employee engagement is a workplace approach resulting in the right conditions for all members of an organisation to give of their best each day, committed to their organisation's goals and values, motivated to contribute to organisational success, with an enhanced sense of their own well-being.

#### Significance of Employee Engagement:

**Engaged employees are more loyal, work harder, and stay longer.**

Data taken from Towers Watson's Global Workforce Study supports this theory. By comparing employee engagement levels in 50 companies around the world, it found that companies with high levels of employee engagement reported a same-year operating margin nearly three times higher than companies with low levels of engagement (see Figure 1). Furthermore, a recent study by Dale Carnegie Training found that US businesses lose \$11 billion annually due to employee turnover—that alone is strong motivation to ensure your employees are engaged.

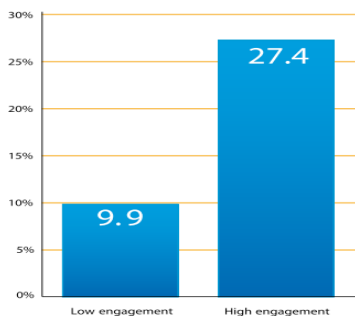


Figure 1: Impact of employee engagement on a company's same-year operating margin.<sup>4</sup>

#### Employee Engagement also impacts Employee satisfaction.

The Towers Watson study included a survey of more than 32,000 full time employees from organizations working in 29 industries around the world. It found that, across the board, highly engaged employees exhibited positive sentiments toward the company in everything from the quality of their work environment and manageability of their workload, to levels of work-related stress and perceptions of ad-

equate levels of support from upper management (see Figure 2). The significance of these findings cannot be understated; a more engaged workplace is, plainly put, a healthier workplace.

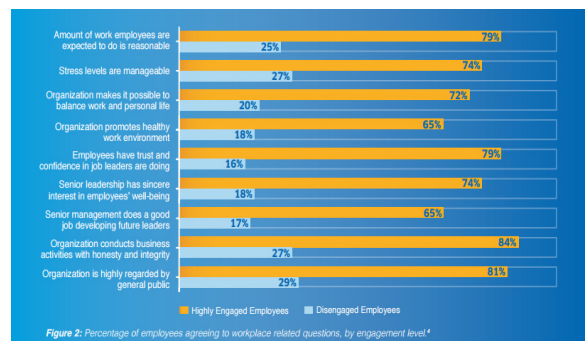


Figure 2: Percentage of employees agreeing to workplace related questions, by engagement level.<sup>4</sup>

4. Towers Watson, Global Workforce Study, www.towerswatson.com/DownloadMedia.aspx?media=D7E1C4F3-66FD-4620-9A14-62848F7E386E

#### Better engagement means better productivity

Corporations whose employees are engaged perform better than companies whose employees are not by over 200%.

When employees are engaged at work, they feel a connection with the company. They believe that the work they're doing is important and therefore work harder.

#### Engaged employees are less likely to quit

If the employee is happy and content, he would never look for a change. Nearly \$11 billion is lost due to annual employee turnover.

But, if the employees are engaged and feel appreciated, they are less inclined to look for other employment opportunities. Fostering a culture of employee engagement can be the key to reducing turnover rates and boosting employee retention. If employees feel needed and wanted when they go into work each day, the connections they form with the company and their other co workers are not easily eroded. By cultivating and maintaining these relationships, the risk of attrition can be avoided.

#### Engaged employees are better communicators

Employees who care about their jobs are more effective communicators with their coworkers, leaders, and customers alike. Disengaged workers may mindlessly go through their day without remembering any of the conversations that they had. Engaged employees, however, will engage each other in stimulating discussions that could turn into productive brainstorming sessions. Incorporating a culture of employee engagement can not only help employees connect with one another, but it can also help create new innovations and ideas.

#### Employee Engagement Drivers:

A study by Aon Hewitt revealed six major categories—along with 22 organizational antecedents—of employee engagement drivers (see Figure 3). These are all factors that can potentially increase (or decrease) an individual's engagement within a company, but the key is determining a way to leverage these drivers to increase engagement.



**Employee Engagement and Employee Retention:**



Simply stated, engaged employees are less likely to leave their job. If an employee has no emotional commitment to their job, there is a greater chance that they will leave to pursue a job that offers, for example, higher remuneration or more flexible work conditions (Haid & Sims, 2009; Schaufeli & Bakker, 2004).

Research confirms that engagement lowers employees' intention to leave. The Corporate Leadership Council (2004) found that the most engaged employees are 87% less likely to leave their organisation. The same study found that the 100 best places to work (according to their research) had an average voluntary turnover rate of 13% as compared with the average of 28.5% of other businesses in the same industries. What's more, other large scale research has found that 12% of disengaged employees have no intention to leave, while that proportion rises to 66% in engaged employees. Similarly, over half of disengaged employees would consider leaving their current job for another opportunity, while only 25% of highly engaged employees would consider leaving. (Towers Perrin, 2003).

Considering that replacing an employee can cost one and a half times their salary, retention has a significant impact on an organisation's bottom line. Not only can the costs of replacing employees be a drain on resources, but once new employees are in place they can take several years to generate the same revenue

**Conclusion:**

A few basic things managers and organizations can do to increase employee engagement, satisfaction and retention include:

- Giving employees meaningful feedback on a regular basis.
- Being clear about goals and expectations, and helping employees see how their work matters to the organization.
- Rewarding, recognizing and appreciating employees in a fair and consistent way.
- Giving employees opportunities for growth and development.

Thus we can conclude that Employee engagement is the extent to which employees feel passionate about their jobs, are committed to the organization, and put discretionary effort into their work. Employee engagement is about positive attitudes and behaviours leading to improved business outcomes, in a way that they trigger and reinforce one another.

Employee engagement is about employees feeling the pride and loyalty working for an organisation, being a great advocate of the organisation to the clients, users and customers, going the extra mile to finish a piece of work. Employee engagement is about drawing employees' knowledge and ideas to improve the organization's growth and be innovative about how we work. An Engaged employee never wants to leave the organization. Hence Employee Engagement plays a crucial role in Employee retention thereby reducing Employee turnover.

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