

Do Happy Employees Improve ROI?

We've all had the experience of walking into an office and immediately knowing that we'd want to work there. The smiles, the energy, the hustle and bustle of passionate workers – sign us up! And most of us have had the opposite experience: walking into an office and immediately knowing that no amount of money, or acclaim, or career growth could make us accept a job there.

So, we know that a positive office culture matters. But how much does it matter? And how much does a negative office culture cost to an employer's bottom line?



A positive culture means you can pay less

It's a common misconception that the only (and best) way to improve employee happiness is to pay more. And more. And more. But raising employee compensation (outside of market rates, obviously) is just a Band-Aid to a larger problem – an unhealthy work culture. And it's been proven to be an ineffective Band-Aid. Research shows that the correlation between job satisfaction and pay increases.



Between-study relationship between average pay level and average level of pay satisfaction

T.A. Judge et al. / Journal of Vocational Behavior 77 (2010) 157-167

The best route is to invest in a positive, encouraging, challenging culture for your employees and pay them market rates. You'll come out ahead in the long run.

Above average productivity levels

As business owners, we sometimes make the fatal error of thinking that employees are one-size-fits-all, "human capital," cogs in our organizational machine. But studies show that this isn't the case. Highly engaged employees are 12% more productive than unengaged employees.

Let's do the math – if your employees are engaged, you're getting the equivalent of two extra days of work a month. At no additional cost to you.

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DISENGAGED EMPLOYEES:

60% return on their salary

10% less **PRODUCTIVE**

ENGAGED EMPLOYEES:

120% return on their salary

31% more **PRODUCTIVE**

37% higher **SALES**

3x more **CREATIVE**

Harvard Business Review

Customer Service

In the digital age of Yelp, Twitter and Google Reviews, customer loyalty is worth more than gold. According to **TechCrunch**, 82% of your customers will likely give up on your business after having an unpleasant customer experience. And there's only one way to ensure that never happens – increase customer satisfaction. But *how?*



Customer satisfaction is most accurately tracked to one metric: employee engagement. Increasing employee engagement is the fastest, cheapest and most reliable way to increase customer satisfaction.

Retention is cheaper than hiring



TURNOVER

Experts estimate that it costs organizations 21% of an employee salary to find and train new hire.

So, for an employee that costs you \$50,000 a year, you'll be paying over \$10,000 to find and train a replacement. And this isn't a one-time cost. If you don't address the reasons that the original employee left, you'll be paying another \$10,000 when the new hire leaves for the same reasons.

More time at work

You know one expense that probably isn't in your budget? Absenteeism. Reports says that you're losing between \$2500 – \$3500 on unscheduled absenteeism a year, **per employee**. And that's not just on missed productivity. Habitual absenteeism is detrimental to the office culture and causes the productivity rates of other employees (you know, the ones that actually showed up to work) to drop.



Q: So, how do you tackle absenteeism?

A: According to a report by the Workplace Research Foundation, companies that invest in employee engagement and satisfaction programs report half as much absenteeism.

Occupation	Annual cost of lost productivity due to absenteeism (BILLIONS)
Professional	\$24.2
Managers/executives	\$15.7
Service Workers	\$8.5
Clerical/office	\$8.1
Sales	\$6.8
School teachers (K-12)	\$5.6
Nurses	\$3.6
Transportation	\$3.5
Manufacturing/production	\$2.8
Business owners	\$2.0
Installation/repair	\$1.5
Construction/mining	\$1.3
Physicians	\$0.25
Farmers/foresters/fishers	\$0.16



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