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# THE PRODUCTIVE WORKFORCE: How Employee Engagement affects Safety, Quality, and Absenteeism

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“Engaged employees are more attentive and vigilant. They look out for the needs of their coworkers and the overall enterprise, because they personally ‘own’ the result of their work and that of the organization.”

**Jim Harter** Ph.D., a chief scientist at Gallup Research

### **Purpose & Introduction**

The purpose of this white paper is to show the correlation between performance tracking and productivity incentive programs, employee engagement, and employee outputs such as quality, safety, and attendance. Employers frequently express concern that bonus pay based on productivity, often called “pay for performance”, may have unintended consequences on the work environment such as safety, product quality, and attendance. This white paper will show that these concerns are mitigated by employee engagement. In fact, pay for performance is shown to increase employee engagement — and in turn, safety, quality and attendance increase because of it.

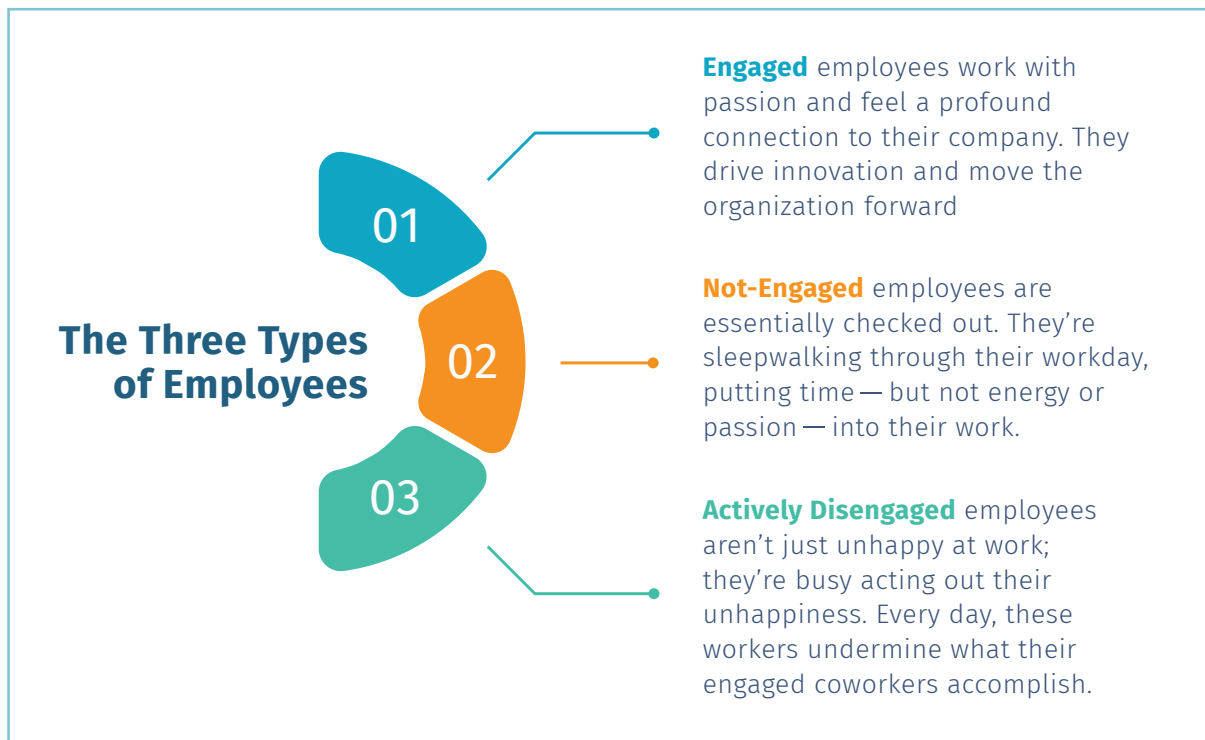
## Employee Engagement Defined

What is an Engaged Employee? There are many definitions, but in a labor-intensive operation, an engaged employee possesses the following traits:

- They want to come to work
- They understand their job
- They want to contribute to the success of the organization
- They apply energy and focus to their work

## Levels of Employee Engagement

Levels of engagement vary from employee to employee in any workforce, and employees can be categorized into three types: Engaged, Non-Engaged, and Actively Disengaged. Worldwide, **actively disengaged employees outnumber engaged employees by nearly 2-1**. (Gallup, 2013)



Source: Adapted from "Engaged employees inspire company innovation." (2006, October 12). Gallup Management Journal, [http:// gmj.gallup.com](http://gmj.gallup.com)

## LEVELS OF ENGAGEMENT IN THE UNITED STATES AND CANADA

	ENGAGED	NOT ENGAGED	ACTIVELY DISENGAGED
Elementary education or less	32%	52%	17%
Secondary education	29%	52%	19%
Tertiary education	28%	57%	15%
Managers/Executives/Officials	34%	53%	13%
Professional workers	30%	56%	14%
Farming/Fishing/Forestry workers	28%	56%	16%
Construction/Mining workers	28%	55%	17%
Service workers	28%	52%	20%
Clerical/Office workers	27%	53%	20%
Sales workers	26%	54%	20%
Installation/Repair workers	25%	54%	21%
Transportation workers	24%	51%	25%
Manufacturing/Production workers	23%	54%	23%

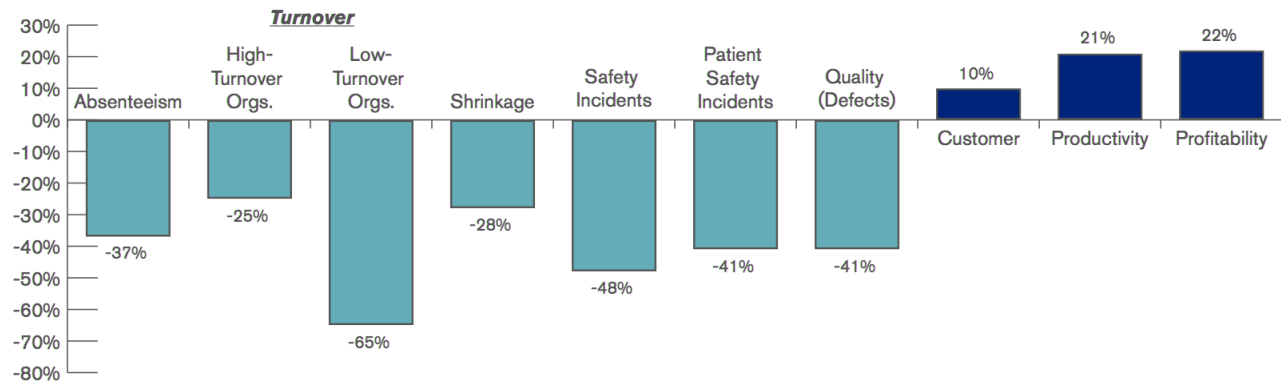
Source: Adapted from "State of the Global Workplace Report." (2013). Gallup, Inc

## How Engagement Affects Productivity and Other Factors

Though the business case for employee engagement seems intuitively obvious, there is a growing body of evidence to support it through studies and analysis. The biggest and most thorough study defining the effects of employee engagement came in 2013: The Gallup Q12 Meta-Analysis of 1.4 Million Employees. The findings showed not only a strong correlation between employee engagement and the commonly measured metrics of productivity and profitability, but also pronounced benefits in other areas: reduced absenteeism, turnover, shrinkage, safety incidents, quality incidents. Another key finding of the Q12 study was that the relationship between employee engagement and performance was shown to be completely sweeping, across industries and job functions, from top level business down to the work unit level. The benefits of an engaged workforce were found to be universal. (Gallup, 2013)

**Q12® Meta-Analysis: Outcomes**

Difference between top and bottom engagement quartiles

**Bonuses over 15% and engagement**

Pay for performance has been shown to be a top driver of employee enablement (optimizing performance in an environment of limited resources) globally. When pay for performance is coupled with conditions where bonus targets are greater than 15% of their base pay, pay for performance becomes a significant driver of engagement. (Towers Watson, 2012). As the impact of the bonus for an employee increases, pay for performance becomes even more valuable to the employer, because engagement also increases. The simple rule is this: the higher the bonus opportunity, the higher the levels of engagement.

**Accountability and Performance**

The organizations with the best employee engagement have accountability programs. The managers are held accountable for their team's performance, and their performance evaluations include this performance data. Managers set the stage for productivity and performance by identifying which metrics are the most important to measure, then finding ways to individually motivate employees to work better and harder. (Gallup, 2013)

## **Employee Engagement and absenteeism**

Fostering a culture of workplace attendance should be a priority for organizations because of the serious financial costs associated with absenteeism. One way to minimize absenteeism is to focus on employee engagement. Productivity, engagement, and absenteeism work hand in hand. Engaged workers are 21% more productive, and have 37% fewer absences (Gallup, 2013).

Absenteeism can be defined many ways, and the reasons behind employee absenteeism vary. Some common factors include:

- medical incapacity from injury or illness
- caregiving responsibilities of others
- motivation to attend work

Pay for performance, and other practices that encourage employee engagement have a positive influence on attendance.

## **Health**

Engaged employees are generally in better health, and have better habits that contribute to a healthy lifestyle, when compared to employees that are not engaged or actively disengaged. Engaged employees have a lower incidence of chronic health problems such as high cholesterol, diabetes, obesity, depression, and high blood pressure (Gallup, 2013). While its not clear which way the relationship between engagement and healthy behavior goes, workplaces that actively improve engagement may end up seeing an added benefit of better employee health.

## **Motivation**

Though most absences are reported as “sick days”, it’s difficult to tell how many of those absences reported as an illness were actually absences caused by lack of motivation to work. The motivation to attend work is directly influenced by levels of engagement, attitude, and job satisfaction (Gallup, 2013).

**“Employees who feel engaged at work and who can use their strengths in their jobs are more productive and profitable, stay longer, have happier customers, and produce higher quality work.”**

**Gallup****Employee Engagement and Quality**

The biggest threat to quality is the actively disengaged employee. Not only are actively disengaged employees more likely to produce work with quality defects, but they also seek out ways to ruin the work of engaged employees.

Engaged employees, on the other hand, are focused on things they can do better, and work with the success of the organization in mind. Studies have repeatedly found significant differences between top and bottom groups of engaged employees.

One study (Harter et al., 2009) compared top and bottom performers and found a 60% drop in quality, as measured by the number of defects in products. Similarly, a study of Fortune 100 companies found that a startling 1,000% increase in errors among disengaged versus engaged employee populations (Gonring, 2008).

**Employee Engagement and Safety**

There is a direct correlation between safety incidents and employee engagement. Engaged employees are focused on their work and less likely to make mistakes. The Gallup study of 2013 found that the bottom quartile of least engaged employees had 48% more safety incidents than the top quartile, or most engaged.

Employees who are not engaged in their work roles withhold their physical, cognitive, and emotional energies, and this is reflected in task activity that is at best, robotic, passive, and detached (Kahn, 1990). Detachment, and mentally “spacing out” causes workplace safety incidents.

While non-engaged employees are more likely to experience “burnout”, research shows that engaged employees are “motivated to work safely” (Nahrgang, Morgeson & Hofman, 2011). Focused, engaged employees are motivated to do what’s right. By paying better attention, safety incidents are less likely to happen. The efforts of engaged employees are focused on goal attainment, leading to better performance and safer work habits (Rich et al., 2010).



### **Engagement Pays Off at Molson Coors Brewing Company**

At beverage giant Molson Coors, engaged employees were five times less likely than non-engaged employees to have a safety incident and seven times less likely to have a lost time safety incident. Moreover, the average cost of a safety incident for engaged employees was \$63, compared with an average of \$392 for non-engaged employees. By strengthening employee engagement, the company saved \$1,721,760 in safety costs during 2002. Engagement also improved sales performance at Molson Coors: Low engagement teams fell far behind engaged teams in 2005 sales volumes. In addition, the difference in performance-related costs of low- vs. high-engagement teams totaled \$2,104,823.

source: Employee Engagement and Commitment, SHRM foundation <http://www.shrm.org/about/foundation/products/Pages/EmployeeEngagement.aspx>

### **Conclusion**

There is a strong statistical correlation between performance tracking practices, productivity incentive programs and employee engagement. Employee engagement is also strongly correlated with workplace safety and work quality. A properly designed performance tracking and incentive program will improve productivity but can also improve safety and quality.

## Endnotes

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### **About Easy Metrics**

Easy Metrics is a cloud based Business Intelligence system that helps companies with labor-intensive operations to identify and optimize their labor costs. The company combines its robust technology with a proven cost management methodology to drive 40% productivity improvements and 15-25% labor cost savings, while providing significantly greater management insight into labor-intensive processes.

The core technology was developed from over 17 years' experience managing complex, labor-intensive distribution outsourcing operations. The application aggregates the exploding amount of activity data generated by RF Scans, RFID, warehouse management systems, ERP systems, time clocks and manual tracking to create detailed cost and performance models. Both easy to use and easy to configure, Easy Metrics provides a subscription-based cloud solution that customers can implement on a facility-by-facility basis. This enables easy adoption and rapid scale-up within new customers, without substantial upfront capital or deployment costs.

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