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March 19, 2001

## Gallup Study Indicates Actively Disengaged Workers Cost U.S. Hundreds of Billions Each Year

NEWS RELEASES

**New York, March 19, 2001** -- "Actively disengaged" employees -- those fundamentally disconnected from their jobs -- cost the U.S. economy between \$292 billion and \$355 billion a year, The Gallup Organization estimates in the inaugural issue of its new quarterly, the *Gallup Management Journal (GMJ)*.

The estimates are based on a recent Gallup "Q<sup>12</sup>" employee engagement survey of the U.S. workforce, which found 24.7 million workers, or 19%, are actively disengaged.

Gallup's research for its management consulting clients consistently shows that actively disengaged workers tend to be significantly less productive, report being less loyal to their companies, are less satisfied with their personal lives, and are more stressed and insecure about their work than their colleagues. The national Q<sup>12</sup> survey found that actively disengaged workers miss an average of 3.5 more days per year than other workers do, or 86.5 million days in all.

Gallup developed a proprietary formula for measuring the level of employee engagement from the information in its database, which contains survey results and performance data from its consulting work with clients around the world. In the past three years, Gallup's employee engagement consulting practice has surveyed more than 1.5 million employees at more than 87,000 divisions or work units.

Going forward, Gallup will administer the national Q<sup>12</sup> survey each quarter to a representative sample of the U.S. adult working population and will publish the results in *GMJ*. As with the inaugural issue, future issues will include articles examining how the Gallup Q<sup>12</sup> actually works in real companies. The inaugural issue is being mailed to 100,000 global business executives, U.S. and international government leaders, market-moving investors and analysts, the media, and top business schools.

The Q<sup>12</sup> survey is named for the 12 core questions that Gallup asks the employees at work units of its clients. Gallup enables these clients to see and understand the linkages between their levels of employee engagement and productivity, growth and profitability.

### Online Access to *GMJ*, Weekly Management Columns by E-mail

*GMJ* is an online journal published by The Gallup Organization. The annual subscription price is \$95, which includes weekly e-mail columns on management and full access to all content on <http://gmj.gallup.com>.



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*GMJ* will publish articles based on the management science research that underlies Gallup's consulting practices, which account for more than 99% of the 66 year-old firm's revenue. (Gallup's widely known public opinion polling operations account for the other 1% of revenues.) *GMJ* will also provide readers with outside perspectives and context on the challenging people issues facing today's executives, all in crisp, lively prose, and a visually distinctive, contemporary format.

Jessica Korn, *GMJ*'s founding Editor in Chief, said that as Gallup's management science research links the measurement of employee and customer behavior to actual business outcomes, the new Journal "represents the first public forum to infuse analytical and actionable insight into the conversation we're all having about how human factors drive organizational performance." By creating a new and engaging forum for this conversation, Korn added, *GMJ* will "enrich its readers' understanding of the critical economic challenge of our age -- decoding the role of human character in the dynamics of wealth creation."

Lawrence M. Emond, publisher, added: "We have been very pleased by the response to our initial publishing ventures, '*First, Break All the Rules*' and '*Now, Discover Your Strengths*,' two best-selling management books. Our clients and loyal readers have told us they would like more information about Gallup research -- and with greater immediacy. The logical vehicle for this is a periodical. *GMJ* will tell real stories about real companies and real people."

In addition to showing how companies use Q<sup>12</sup> to drive business results, the inaugural First Quarter 2001 issue of *GMJ* offers: an article backed by statistical evidence proving that front-line employees are the most powerful force driving customer loyalty; a close-up look at how a Baxter Healthcare Corporation division used a customer-visualization technique to better understand and serve its customers, and the Brookings Institution's director of economic studies' views on the "data paradox" involved in balancing privacy concerns with the modern economy's hunger for personal information.

### **Calculating the Cost of Actively Disengaged Employees**

Gallup developed its \$292 billion estimate of the annual cost of actively disengaged employees through a three-step process. First, it applied its proprietary formula to the Q<sup>12</sup> survey results to calculate the number of actively disengaged employees in America. Next, widely used published statistical guides (standard utility analysis methods) were applied to the \$30,000 per year U.S. average salary. This yielded \$2,246, which, multiplied by 130 million U.S. workers who are 18 years old or older, produced the \$292 billion estimate.

The \$355 billion estimate was based on a different economic measure -- America's \$10 trillion Gross Domestic Product in the year 2000. The GDP figure was divided by the total number of U.S. workers to yield an \$73,870 worth of goods or services per worker last year. Again, applying standard utility analysis methods, the Gallup statisticians found that a 3.7% increase in output per worker would be attributable to eliminating active disengagement from the workforce. This 3.7% increase, applied

against the \$73,870 average output figure amounts to \$2,733 per person in the workforce, or \$355 billion overall.

The Gallup Organization, with world headquarters in Princeton, N.J., was founded in 1935 and has grown to become one of the world's largest management consulting firms. Its 3,000 employees serve in 34 offices, including New York, Washington, Boston and 10 other cities in the United States and in 20 others around the world. Gallup's core expertise is in measuring and understanding human attitudes and behavior. Gallup applies this expertise to help companies improve business performance by leveraging their employee and customer assets. Gallup also conducts The Gallup Poll, the world's leading source of public opinion.

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1. *Do I know what is expected of me?*
2. *Do I have the materials and equipment I need to do my work right?*
3. *Do I have the opportunity to do what I do best every day?*
4. *In the last seven days, have I received recognition or praise for doing good work?*
5. *Does my supervisor, or someone at work, seem to care about me as a person?*
6. *Is there someone at work who encourages my development?*
7. *At work, do my opinions seem to count?*
8. *Does the mission of my company make me feel my job is important?*
9. *Are my co-workers committed to doing quality work?*
10. *Do I have a best friend at work?*
11. *In the last six months, has someone talked to me about my progress?*
12. *This last year, have I had opportunities at work to learn and grow?*

The Q<sup>12</sup> items are protected by copyright of Gallup, Inc., 1993-1998. All rights reserved.

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