

OBJECTEV

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The Quiet Crisis:

How Disengagement and Turnover Are Draining SMBs - and What Actually Fixes It

A frank look at the hidden cost of checked-out employees, why your learning platform probably isn't working, and what companies with constrained budgets are doing differently.

Executive Summary

Here's the uncomfortable truth: most companies know their employees are disengaged. They see the signs. They feel the drag. And still, the dominant response is to license another e-learning platform, roll out another mandatory video training, and hope something sticks.

It doesn't.

U.S. employee engagement hit its lowest point in a decade in 2024. And the companies feeling it hardest are not the Fortune 500s with armies of HR professionals and L&D budgets measured in the millions. It's the mid-market - companies with 50 to 500 employees - where one disengaged team can tank an entire department, and one wave of turnover can set a company back a full year.

This paper is for the HR leader, the CEO, or the People Ops Director's who already suspects their current approach isn't working and wants to understand why - and what a better path looks like.

We'll get into the data, but we'll also get honest about the stuff the data doesn't always say out loud.

Section 1: The Engagement Crisis Is Not Improving

Let's Start With What the Numbers Actually Say

Gallup has been tracking employee engagement for decades. In 2024, they reported that only 31% of U.S. workers are actively engaged - the lowest reading in ten years. 17% are actively

disengaged, meaning they're not just checked out, they're actively undermining the people around them. The ratio of engaged to actively disengaged workers has dropped to 1.8:1. In 2019, it was 2.7:1.

Those are not pandemic anomalies. That's a structural trend.

31%

of U.S. employees actively engaged (Gallup 2024)

17%

actively disengaged — the highest in years

\$8.9T

estimated global productivity loss annually

Globally, disengagement is estimated to cost the world economy \$8.9 trillion (with a T) annually in lost productivity. For individual companies, Gallup's data suggests disengaged employees cost the equivalent of 34% of their annual salary - every year they stay. Think about that for a second. You're not just losing the value of what they're not doing. You're actively paying for it.

For mid-market companies, this hits differently than it does for large enterprises. A 200-person company doesn't have a cushion. There's no redundancy built in to absorb a team that's going through the motions. Every person matters in a way that just isn't true at a company with 10,000 employees.

“Disengaged employees have 37% higher absenteeism, 18% lower productivity, and 15% lower profitability - equivalent to 34% of their annual salary draining out every single year.”

- Gallup

The Part Nobody Talks About at the All-Hands

The statistics above are the version companies share in board presentations. What they're less likely to say out loud: disengagement is contagious in a way that turnover is not.

When someone quits, you feel it immediately. There's urgency. You post the role, you scramble to redistribute the work, you make it a priority. But disengagement spreads slowly and quietly. The team lead who stopped pushing back in meetings. The senior contributor who used to mentor junior employees and just... stopped. The group chat that went dark. By the time leadership notices, the culture has already shifted and the engaged employees who stuck around longest are often the next ones to go, burned out from picking up slack that was never acknowledged.

McKinsey estimates that a typical mid-size S&P 500 company could be losing between \$228MM and \$355MM annually from the combined drag of low engagement and turnover. For companies a fraction of that size, the per-capita math is just as damaging.

A Note on the Generational Angle

Gallup's 2024 data shows the steepest engagement declines among workers under 35. This isn't a Gen Z cliché - it's a real pattern with a straightforward explanation: younger workers entered the workforce with higher expectations for growth, connection, and meaning. When those expectations aren't met, they don't quietly endure. They disengage faster, and they leave sooner.

LinkedIn's 2025 Workplace Learning Report found that only 15% of employees say their manager helped them build a career plan in the past six months - down five points from the year before.

Career progression is the number one thing employees say motivates them to stay engaged with learning. And managers are delivering it less than ever. That gap is exactly where disengagement festers.

Section 2: How Disengagement Becomes Turnover

The Pathway Is Predictable - Which Is Why It's So Frustrating

I've heard versions of this story from HR leaders across Southern California more times than I can count: a high performer who'd been with the company for five or six years puts in their notice, and everyone is shocked. But when you sit down and trace the timeline, the project they weren't included in, the promotion conversation that never happened, the team offsite they attended but didn't participate in, all the signs were all there. They'd been disengaged for months. Nobody caught it.

Disengagement doesn't stay disengagement. It converts. And when it does, the cost lands all at once.

"Nobody quits a company. They quit a manager who never developed their leadership skills, a culture that stopped investing in their growth, or a ceiling they couldn't see past."

- Objectev

The Real Math on Replacement Costs

SHRM has long held that replacing one employee costs between 50% and 200% of their annual salary. Most HR teams know that number. Fewer of them have actually broken it down into its components because when you do, it's worse than you think.

Cost Category	What It Actually Includes
Recruiting	Job postings, recruiter fees, interview scheduling, background checks and the manager hours nobody ever tracks

Onboarding & Training	HR time, manager attention, formal programs. Average training spend hit \$874 per employee in 2024
Lost Productivity	The gap between what the departing employee produced and what the new hire will produce for the next 6-12 months
Institutional Knowledge	Client relationships, process shortcuts, team history - none of it transferable, all of it valuable
Remaining Team Impact	73% of hiring managers say turnover puts a heavy burden on the people who stayed. That burden fuels more disengagement
Customer Service Disruption	For SMBs, delays to customers are the #1 operational consequence of losing someone. And clients notice

The Work Institute's 2024 Retention Report puts a floor on the estimate: multiply the departing employee's base salary by 33.3% as a conservative minimum. For a 150-person company paying an average of \$70,000, losing 15% of the team annually - not unusual for mid-market companies - means absorbing over \$500K in replacement costs. Per year. Every year.

That number tends to land differently when you write it out.

The Cycle Nobody Wants to Talk About

What makes turnover in smaller companies especially corrosive is the spiral it creates. Someone leaves. The remaining team absorbs their work on top of their own. They get stressed, burned out, and resentful. Their engagement drops. And then some of them leave too. The cycle repeats, but now you're also fighting a reputation in the local hiring market as a company people leave.

Research from TriNet found that among companies with 50 - 500 employees, 63% say retaining employees is harder than hiring them. That number flips the conventional wisdom. The problem isn't finding people. It's keeping them once you do.

Section 3: The Budget Reality for Mid-Market L&D

Let's Be Honest About What SMBs Are Working With

The average U.S. company spent \$874 per employee on training in 2024. For a 100-person company, that's an \$87,400 annual L&D budget - before you account for compliance training, onboarding, any software licensing, and the HR staff time it takes to administer it all.

What's left over for actual professional development? For leadership programming, financial wellness sessions, communication training, healthcare literacy - the things that actually move the needle on engagement and retention? In most SMBs, not much. Sometimes nothing.

This is not a criticism. It's just math. And it's why the conversation about L&D for mid-market companies can't be the same conversation we have for large enterprises. The solutions have to be different because the constraints are different.

What Employees Actually Want to Learn

Here's something worth sitting with: LinkedIn's 2025 Workplace Learning Report found that career progression is the number one reason employees engage with learning. Not required modules. Not annual compliance training. Growth - real, visible, connected-to-their-actual-life growth.

The same report found that 91% of L&D professionals agree that human skills are increasingly important. Communication, conflict resolution, leadership, financial literacy, stress management, healthcare navigation. These are the categories employees actually care about. They're also, not coincidentally, the categories that a generic e-learning library handles the worst or not at all.

You can't teach someone to navigate a difficult conversation with their manager through a 15-minute video. You can expose them to the concepts, sure. But the learning that changes behavior happens in a room, with a real person, when someone can ask the question they were too embarrassed to put in the chat.

“Employees who set career goals engage with learning 4x more than those who don't. The engine of engagement isn't content. It's growth.”

- LinkedIn Workplace Learning Report, 2025

Section 4: Why Your Learning Platform Probably Isn't Working

The Honest Case Against Passive Video Learning

This section might sting a little if you've recently renewed a LinkedIn Learning or similar platform license. That's okay. The data is the data, and the organizations that are willing to look at it honestly are the ones that actually fix the problem.

Video-based learning platforms became the dominant corporate L&D solution for one reason: they are easy to sell and easy to deploy. One contract, one set of credentials, and you can tell your board you have a learning culture. Whether anyone is actually learning is a different question.

Completion Rates Are Quietly Terrible

Industry research consistently puts online corporate course completion rates between 5% and 15%. That's not a rounding error - that's a fundamental product failure. Employees click into the module, get pulled into a Slack thread or a meeting that runs long, and never come back. The content loses every time it competes with real work.

LinkedIn's own 2024 Workplace Learning Report acknowledged that large-scale reskilling programs are still mostly in “planning and activation stages,” with fewer than 5% advancing far enough to measure any success. The Harvard Business Review has noted that even among companies that

have embraced reskilling, the results have been “subscale and of limited impact.” These are not fringe critics. This is the industry’s own data.

Watching a Video Is Not Learning

There’s a difference between consuming information and actually changing how you behave. A video on conflict resolution is not the same as sitting in a room with a leadership coach who can respond to the specific scenario you just described. The former is content delivery. The latter is learning.

Behavior change requires engagement, friction, dialogue, and accountability. A 20-minute module that ends with a multiple-choice quiz delivers none of those things. And yet that’s what most SMBs are paying for, month after month.

The Relevance Gap

Generic content libraries are built to cover everything, which means they’re genuinely excellent at nothing. A financial wellness session that’s specific to the life stage and income reality of the employees in your building is a completely different experience from a module titled “Personal Finance Basics” recorded in 2021 by someone in a studio with a ring light.

Employees know the difference. And when they sense that the content wasn’t chosen for them - that it’s just whatever came with the platform subscription - it sends a message. Not the one you wanted.

The Human Signal

This one matters more than most organizations realize. When a company brings in a real, local expert to speak to their team - someone who showed up, prepared for this specific audience, and is present to answer their specific questions - it communicates something that no e-learning platform can.

It says: we invested in you. Not in a content library. In you!

That signal is disproportionately powerful for engagement and retention. Research is consistent on this point: employees who feel their employer is actively invested in their development are significantly more likely to stay, perform at a higher level, and advocate for the company to people in their network. The ROI on that signal compounds over time in ways that are very hard to put a number on but very easy to feel when it’s present and very easy to notice when it’s gone.

Section 5: The Case for Local, Expert-Led Development

Great Expertise Is Everywhere. The Problem Has Always Been Access

Every major market in America has an abundance of experienced professionals who are both capable of and genuinely interested in sharing what they know. Former executives. Practicing attorneys. Financial advisors. Healthcare specialists. Leadership coaches who’ve spent twenty years in the field. They live in the same communities as the companies that need them most.

The reason this expertise hasn’t historically flowed into mid-market companies isn’t a supply problem. It’s a coordination problem. Companies don’t have time to find, vet, and book independent experts. Experts don’t have a reliable channel to reach corporate audiences. That gap is the problem and it’s solvable.

The ROI Case for Budget-Conscious C-Suite Executives & HR Leaders

Here's math that's worth running at your next budget meeting.

A 100-person company investing \$5 per employee per month in a vetted local expert platform spends \$6,000 annually. If that investment reduces voluntary turnover by even two employees over the course of a year - at a conservative replacement cost of \$35,000 per departure (2 at 70K salary X 50% replacement cost) the net savings are \$64,000. The program pays for itself 10 times over.

That's before you account for the engagement lift on the 98 employees who stayed, the improved team morale, the positive signal to your employer brand in the local market, or the downstream effect on customer satisfaction when your teams are actually showing up.

The indirect benefits are real, even if they're harder to line-item. Gallup associates highly engaged teams with 21% greater profitability. Employees who feel developed are more likely to refer to talent from their network. Shared learning experiences build team cohesion in ways that team-building activities rarely do. These aren't soft outcomes. They're competitive advantages.

The Vote Changes Everything

One of the most underappreciated dynamics in employee engagement is the psychological difference between programs that HR builds for employees and experiences that employees actually choose.

When an employee has a say in which expert comes to speak to their team - when they voted for this person, when they're curious about this topic because it's one they actually raised - they show up differently. They're not sitting in mandatory training counting down the clock. They're invested. They ask better questions. They stay after. They bring it up in conversation with their colleagues the next day.

That shift from passive recipient to active participant is one of the most powerful engagement levers available. Game changing for those that lean into including the "voice of the employees"

On the 3–4 Week Lead Time

It might seem like a limitation. It isn't.

The companies that get the most out of expert-led development are the ones that treat it as an event, not a commodity. A session that's been planned three weeks out - promoted internally, positioned as a genuine investment in the team, with a specific expert matched to a specific need - carries a completely different weight than a module pushed out through an LMS on a Tuesday afternoon.

Employees notice when something was chosen deliberately for them. That's not a feature of speed. It's a feature of intention.

Section 6: What to Actually Do About It

Five Things Worth Doing Now

This is the part where most white papers hand you a generic action plan and call it a day. We'll try to be more useful than that.

1. Measure What You're Actually Dealing With

Most SMBs don't have reliable data on how engaged their workforce really is. Anecdotal reads from managers are better than nothing, but they're lagging indicators. By the time a manager notices, the problem is usually months old. A short, honest pulse survey - not the annual engagement survey nobody takes seriously - will surface where energy is low, where leadership connection is weakest, and where people feel limited. Start there.

2. Audit What Your L&D Budget Is Actually Buying

Pull your platform data. What are your completion rates? What topics are employees actually engaging with? If you're paying for a library of 10,000 courses and your team is completing 12 of them, that's important information. Reallocating even a portion of that spend toward live, expert-led sessions will almost certainly outperform passive content on the metrics that matter.

3. Make Development Visible

The best development programs are ones employees can see happening. Not a link in the intranet. An actual event, on the calendar, with a real person coming in to talk about something that matters to them. The visibility is part of the value. It signals ongoing investment in a way that a platform license never will.

4. Give Employees a Private Path to Expert Access

One of the most underutilized retention tools available to SMBs is confidential, self-directed access to professional guidance outside the formal HR channel. Financial stress, healthcare decisions, career uncertainty, personal challenges - these are all significant drivers of disengagement, and they're all things that a vetted expert can help with. When that access is free to the employee and available on their own terms, it becomes a genuine differentiator in your employee value proposition. It also builds a level of trust that is very hard to replicate through any formal benefit.

5. Connect the Investment to the Outcomes

Track retention rates, engagement scores, absenteeism, and internal promotion rates before and after you change your L&D approach. When you can walk into a budget conversation and show that a \$6,000 annual investment in expert-led development reduced turnover by two people - saving more than \$64,000 in replacement costs - the conversation about what learning is worth changes permanently. Leadership starts to see it as a line item that pays for itself, not a cost to be managed down.

Conclusion: The ROI of Believing in Your People

Here's the thing about disengagement: it's not a mystery. We know why it happens. We know what it costs. We have decades of research pointing to the same underlying causes - people who don't feel seen, developed, or connected to something bigger than their task list.

What's been missing, especially for mid-market companies, is a practical solution that fits the budget and the pace of how these organizations actually operate. Not another enterprise platform with a six-month implementation. Not a consultant engagement that costs more than the problem. Something real, local, and human - delivered by someone from their own community who actually knows what they're talking about.

The companies that will win the next decade of the talent competition are not necessarily the ones with the biggest HR budgets. They're the ones that figured out how to make every dollar of development investment feel personal. How to make employees feel like the company showed up for them - not just on the day they were hired, but consistently, month after month, in ways that matter to their real lives.

That's not a complicated idea. It's just a hard one to execute without the right infrastructure. And that's exactly the problem worth solving.

“The right expert. The right moment. The right topic. Delivered by a real person from your community - not a video nobody finishes.”

— Objectev

About Objectev

The Objectev platform connects HR leaders and executive teams at mid-market companies with vetted, local subject matter experts for educational presentations and private one-on-one consultations. “Your Expert. Next Door.” Objectev serves companies with 50–2500 employees who want real expertise, real connection, and real outcomes from their L&D investment without enterprise-sized budgets or enterprise-sized complexity.

To learn more or book a 30-minute conversation, <https://objectev.com/request-demo>

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