



## **HEALTH, WELLBEING AND PRODUCTIVITY: A toolkit for business**

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**By the Return to Work Matters team.**

Return To Work Matters – [www.rtwmatters.org](http://www.rtwmatters.org) -is a professional networking and resource site serving return to work professionals, facilitating injured or ill employees to recover their health and get back to their jobs.

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## Introduction

This is an employer's toolkit, which answers some important questions about health, wellbeing and productivity. Employee health and wellbeing is important in itself, and it has big effects on the productivity and effectiveness of an organisation.

Employees who are health and well perform well; when health and wellbeing are managed poorly, employee health can be poorer and productivity reduced.

Scientific research tells us a lot about this topic. From this research, we understand:

- The financial and economic impacts of health and wellbeing in Australia
- The health conditions that most affect productivity
- The risk factors for these conditions
- The options available for improving health, wellbeing and productivity in the workplace
- The effectiveness of each of these options, and how each can be managed best at work
- That improving workforce health and wellbeing produces significant returns on investment

This toolkit will cover all of these topics, and give employers some of the information they need to achieve improvements in health, wellbeing and productivity.

This toolkit is evidence-based: it makes its recommendations on the basis of scientific research, and an examination of programs that have been introduced, and the results they have produced. A brief summary of the research drawn on is presented at the end of this toolkit.

### Toolkit Map

**Section 1: background and introduction.** This section talks about what health and wellbeing are, and the connections they have with productivity. The most important productivity-affecting conditions are identified, along with the lifestyle factors that put people at risk of these conditions. This section also reviews the scientific literature on the business case for health and wellbeing investment.

**Section 2: Case studies.** This section takes a look at two case studies, one from an Australian organisation and one from the US. One of these programs was operated internally, and one contracted to a commercial provider. We take a look at the approaches available, the results produced, and what made these programs effective.

**Section 3: Designing your program.** This section looks at five important measures organisations can take to *improve* health and wellbeing, and consequently improve productivity. This section also describes the pitfalls of management in this area, and the ways in which managers can introduce and operate a program so that it produces the best results.

**Section 4: Implementing and operating your program.** The way in which you introduce your program to the workforce can affect its success as much as the design of your program does. Section four explores the important components for program implementation.

**Section 5: Research summary.** This toolkit is underpinned by research, and especially peer reviewed scientific literature. This section gives a brief summary of some of the research drawn upon in this toolkit.

## SECTION I: Background

### Thinking about health and wellbeing

Improving the health and wellbeing of a workforce means more than reducing levels of illness and injury. It means promoting a healthy and active lifestyle, and encouraging people to achieve a level of health and fitness that will improve their productivity and help them to avoid getting sick down the track. It's a little like the case of an athlete preparing for an event – it's not enough to avoid getting sick or injured. Athletes are focused on achieving a level of physical health that allows for good performance.

Things are no different in the workplace. Research shows that employees who are healthy (not just free from sickness) perform best. The difference is large and can have very significant effects on productivity. One study has shown that the average healthy employee works 143 effective hours per month, while an unhealthy employee works only 49 effective hours per month.

There are four areas in which businesses incur costs associated with employee health. They are:

- Compensation costs
- Staff turnover costs
- Absenteeism (staff taking leave because of poor health)
- Presenteeism (staff in poor health attending work but performing poorly)

Most businesses are conscious of compensation and turnover costs, and have strategies in place to minimise them. A focus on absenteeism is less common, however, and a focus on presenteeism is rare. One study has shown that even in fortune 1000 companies, only 22% of Chief Financial Officers receive regular reports on absenteeism, and only 8% receive reports on presenteeism.

Research shows, however, that absenteeism and presenteeism costs are much greater than those associated with compensation or staff turnover.

Presenteeism is important and often not well understood, so it's worth a more detailed introduction to the topic.

### PRESENTEEISM

“Presenteeism” occurs when a worker is unwell but comes to work as usual. When an employee is in poor health they usually find it harder to concentrate and work efficiently and productively. This means lower productivity, more mistakes and more accidents.

- Presenteeism costs the Australian economy \$25.7 Billion per year <sup>1</sup>
- Presenteeism costs are at least four times as high as absenteeism costs. <sup>2</sup>

## The business case for health and wellbeing

Employees who have a good level of health and fitness are less likely to suffer from conditions that lead to absenteeism and presenteeism. If you want to improve productivity and reduce absenteeism, turnover and compensation costs, working to improve the health and wellbeing of your workforce is a great place to start.

The business case for this investment is strong. Quoted below are four studies that have measured the economic return produced when companies invest in the health and wellbeing of their workforce.

- Chapman et al, 2005: Cost/Benefit ratio of 5.81:1, meaning that every dollar invested produced a saving of \$4.81, after repaying the cost of investment.<sup>3</sup>
- Schultz et al: Cost Benefit ratio of 2.3:1, meaning that every dollar invested produced a saving of \$1.30.<sup>4</sup>
- Harvey et al: Cost Benefit ratio of 3.6:1, meaning that every dollar invested produced a net saving of \$2.60.<sup>5</sup>
- Johnson 2005: Cost/Benefit ratio of 7:1, meaning that every dollar invested produced a net saving of \$6.

➔ **A 300% Return on investment is a reasonable expectation for a well designed and implemented program. This means that an outlay of \$10, 000 could be expected to pay for itself, and save the business a further \$30, 000.**

This is a significant savings, but one that makes sense in light of the enormous impact of presenteeism alone. Suppose your organisation is subject to the Australian average level of presenteeism: this means that 32% of work hours for which employees are paid are rendered ineffective by presenteeism. Further suppose that investment in a health and wellbeing program reduced this level to 25%, a reasonably modest expectation. This would represent a 10% increase in workforce productivity, before taking into account the impact on absenteeism, staff turnover, and compensation costs.

## Is it possible for businesses to help? What are the priorities?

Research shows that the general health and wellbeing of employees plays an important part in determining whether or not they will be subject to absenteeism and presenteeism.

Many of the factors that determine health and wellbeing are the result of modifiable lifestyle factors, such as diet, exercise and quality of sleep.

We have good evidence that well designed and implemented health and wellbeing programs can improve these modifiable lifestyle factors, improving health and decreasing cost in each of the four areas we have identified. Business can make a big difference.

When we talk about absenteeism and presenteeism we are really talking about the effect of health on productivity. The ten conditions that cause the greatest loss of productivity are listed below, along with the percentage of that loss that is due to presenteeism, and the prevalence of each condition in the Australian workforce. Note that the conditions are listed in order of the magnitude of their effects; fatigue causes the greatest productivity loss.<sup>6</sup>

Top ten productivity affecting conditions	Percentage of Australian workers subject to the condition <sup>7</sup>	Proportion of productivity cost due to presenteeism <sup>6</sup>
1. Fatigue	56%	71%
2. Depression	12%	73%
3. Back/neck pain	29%	68%
4. Sleeping problem	n/a	73%
5. Other chronic pain	n/a	44%
6. Arthritis	11%	56%
7. Hypertension	11%	60%
8. Obesity	28%*	54%
9. High cholesterol	9%	58%
10. Anxiety	10%	76%

\*Note that this refers only to employees who are clinically obese. Clinically overweight employees make up another 34% of the Australian workforce, meaning that 62% of the Australian workforce is overweight or obese.

In aiming to address health related productivity, and the above ten conditions in particular, there are two goals employers need to consider:

- Helping employees who have a condition
- Helping the workforce to achieve good health in order to reduce the chances of them developing a condition.

Helping employees who already have a condition is usually a matter of providing access to appropriate services, within the organisation or externally.

The preventative goals of health and wellbeing programs are a little more complex. The most useful thing that programs can do in this arena is identify the modifiable risk factors for these conditions in particular and poor health in general.

Lifestyle is a key factor in determining an employee's health and wellbeing, and their risk of developing most of the conditions listed above. Identifying these risks is just as important as identifying the most significant productivity affecting conditions. By providing information and opportunities to manage these risks, employers can improve the general health of employees, and thus improve productivity and reduce costs.

The most important modifiable health risks for organisations to consider are:

- Smoking
- Physical inactivity

**Typical productivity costs associated with some health conditions.**

**Stress:** causes a productivity loss equivalent to 5.3 hours off work per week

**Overweight:** causes a productivity loss equivalent to 5.7 hours per week off work

**Diabetes:** causes a productivity loss equivalent to 11.4 hours per week off work

**Mental health issues:** causes a productivity loss equivalent to 13 hours per week off work.