

## **EXECUTIVE SUMMARY**

### ***Workplace wellness makes commercial sense***

After identifying key programme costs and perceived or realised benefits, 7 case studies reviewed report a return on investment, in terms of a benefit-cost ratio (BCR), for their wellness programmes. This ratio highlights the nominal return for every unit of cost expenditure (i.e. 4.17 illustrates that for every £1 spent the organisation recovered £4.17 in programme benefits).

Manufacturing company: ergonomic improvements 4.17  
Manufacturing company: physical wellbeing 2.67 (over 1 year)

### ***Implementation Framework***

#### **Plan**

Conduct a needs analysis that investigates employees health needs, motivations and readiness for change

#### **Execute**

Decide a set of key performance indicators that evaluate process, outcomes and impact

#### **Manage**

Monitoring systems should be clear, simple and ensure confidentiality

## **REPORT OBJECTIVES**

### **Consider the wider business case for workplace wellness programmes among UK employers**

- Changing demographics and expectations
- Rising costs of chronic disease and ill-health
- External influences such as corporate social responsibility and competition

## **WHY WELLNESS IN THE WORKPLACE?**

### **Changing Demographics**

### **Changing Expectations**

### **Rise in Chronic Disease**

### **Rise in Costs**

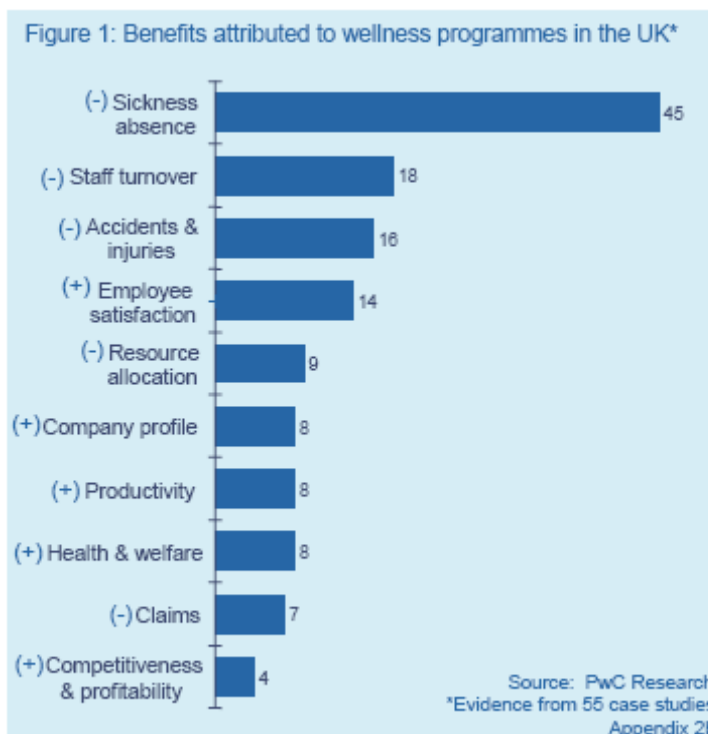
The costs of presenteeism, defined as reduced performance and productivity due to health while at work, are more difficult to measure. According to a US study, presenteeism is actually more costly than absenteeism, costing approximately two to three times more than direct health costs incurred as a result of illness. Presenteeism could cost employers 2 to 7 times more than absenteeism.

## WORKPLACE WELLNESS MAKES COMMERCIAL SENSE

- Programmes targeting medical costs alone found a return on investment of 2.3
- Programmes targeting absenteeism found returns on investment of 2.5, 4.9 and 10.1.
- Programmes targeting absenteeism and presenteeism found returns on investment of 1.81, 3.24 and 8.81.

Individual case study reviews highlight even higher returns:

- The benefit-cost ratio for programmes targeting musculoskeletal issues were as high as 15.4, 24.6 and 84.9.



### Absenteeism

45 out of 55 cases reported a reduction in days lost through sickness absence as a consequence of wellness interventions. The reductions in lost days vary enormously, ranging from 10% to 97% over the evaluation period, with the reported average around 30-40%.

## Considering the evidence: UK case studies

### Financial benefits

- A manufacturing company estimated costs associated with short-term injury sickness absence were cut from £130k to almost zero (2001-06).
- A manufacturing company estimated gross savings associated with reduced sickness absence of around £50k p.a.
- An academic university estimated the cost saving associated with reduced sickness absence as £165,000 from 2002-2006, owing to a reduction of total sickness days of around 350 days per year.
- A manufacturing organisation calculated that injury claims fell from £700k to zero in 6 years.
- A pharmaceutical company cited health insurance savings of £200k p.a.

## AN IMPLEMENTATION FRAMEWORK

### Establishing enablers

1. Plan
2. Execute
3. Manage

### Leadership

### Noted Case Study Examples

- Coach senior leadership about their own wellness; run an initial focused initiative to raise awareness among senior managers
- Chief executive and other senior management lead employee focus or "listening" groups on wellness issues
- Create multi-disciplinary team of stakeholders to ensure programme buy-in

## **Culture**

### **Noted case study examples**

- Align wellness with company business strategy
- Regular board monitoring of wellness programmes
- Annual report on company's physical health
- Changes in office layout to create more relaxed atmosphere

### **Actions**

- Agree questions and areas of investigation with support from employees, human resources, management
- Decide methods for data gathering, such as team meetings, employee surveys
- Work as a group to process and analyse findings

### **Outcome**

- Clear understanding of overall employee needs and concerns. Ideally, an understanding of employee readiness for change is understood

### **Actions**

- Review current services through desktop review of current policies and survey of programmes
- Conduct a gap analysis by comparing current services against identified needs
- Review appropriateness of current data collections and performance indicators
- Analyse the reasons for the possible gap between needs and services, such as marketing issues, poor service design, etc.

### **Outcome**

- A clear understanding of the wellness "gaps" that currently exist and direction on how to close these gaps.

## Plan

Table 5

Stage	Noted case study examples
Assessing Need	<ul style="list-style-type: none"> <li>• Staff surveys (web-based, personal interviews, focus groups)</li> <li>• Risk assessments (stress, ergonomic)</li> <li>• Review of existing policies and procedures, public health documents, HR insights</li> <li>• Review initiative feedback forms to better understand unmet need</li> <li>• Collecting turnover rates, absenteeism rates, occupational health data, presenteeism (planned)</li> </ul>
Describing Services and Gap Analysis	<ul style="list-style-type: none"> <li>• Benchmarking exercises – comparisons with other employers through on-site visits</li> <li>• Review of existing policies and procedures</li> <li>• Occupational health services review</li> <li>• Group exercises with management and key stakeholders to identify gaps</li> </ul>
Risk Management and Deciding Priorities	<ul style="list-style-type: none"> <li>• Joint exercise with management and stakeholders to identify potential organisational risks</li> <li>• Working group prioritisation workshops to identify and understand organisational wellness priorities</li> </ul>
Wellness Options	<ul style="list-style-type: none"> <li>• Develop working relationships with a number of outside providers to deliver services</li> <li>• Working with employee representatives and unions</li> <li>• Systematic evaluation of different wellness options that meet employee needs and offer value for money</li> </ul>

## Execute

### Cast Study examples

- Direct financial incentives for participation
- Time off for participation
- Token gifts and merchandise such as pens and T-shirts
- Internal competitions among division/service lines
- Company donations to social and sports clubs
- Team building away days
- Company donations to employee charities

## Manage

### Financial evaluation of wellness programmes Measuring programme costs

The costs of implementing wellness programmes will be unique to the organisation and programme. Nevertheless, a simple categorisation of costs can help programme managers quickly identify those that apply to their specific case:

- Start-up costs
  - Management time dedicated to project planning
  - Specialist input fees
  - Capital equipment

- Promotion/marketing
- External goods & services
  
- Operating costs
  - Management time
  - Staff salaries
  - Bought-in goods
  - Bought-in services

### **Measuring programme benefits**

Similarly, the benefits of implementing wellness programmes will be unique to the organisation and programme. But, again a simple categorisation of costs can help programme managers quickly identify those that apply to their specific case:

- Staff cost savings
  - Reduced overtime payments
  - Reduced temporary recruitment fees
  - Reduced permanent staff payroll
  - Reduced recruitment costs
  - Reduced management time
  
- Legal cost savings
  - Reduced liability claims
  - Reduced insurance premiums
  
- Healthcare
  - Reduced medical expenditures
  
- Revenue
  - Increased turnover (productivity gain or output per employee)
  - Increased orders (improved product / service quality)

Table 6. Cost and benefits associated with wellness programmes

Programme costs	Intermediate benefits (non-financial)	Related bottom line benefits (financial)
Start-up costs	▼ Sickness absence	▼ Overtime payments
		▼ Temporary recruitment
		▼ Permanent staff payroll
<ul style="list-style-type: none"> <li>▪ Management time</li> <li>▪ External consultants</li> <li>▪ Capital equipment</li> <li>▪ Promotion, marketing</li> <li>▪ Training etc</li> </ul>	▲ Employee satisfaction	▼ Recruitment costs
	▼ Staff turnover	
	▼ Accidents & injuries	▼ Legal costs / claims
Operating costs		▼ Insurance premiums
		▼ Healthcare costs
<ul style="list-style-type: none"> <li>▪ Management time</li> <li>▪ Staff salaries</li> <li>▪ Bought-in goods/services</li> <li>▪ Training, etc</li> </ul>	▲ Productivity	▲ Revenues
		▼ Overtime payments
		▼ Permanent staff payroll
	▲ Company profile	▼ Recruitment costs
	▲ Employee health & welfare	▼ Healthcare costs
	▲ Resource utilisation	▼ Management time

Source: PwC Research

Financial assessment: relate costs to financial benefits

Table 7: Key investment appraisal measures

Measure	Interpretation
Net present value (NPV)	The NPV takes cost and benefit cash flows and discounts them using the company's cost of capital or hurdle rate. This measure articulates the cash value of the investment, providing a "one number" method of comparing programmes incorporating the time value of money (TVM). NPV does not show the time taken to achieve the return.
Internal rate of return (IRR)	The IRR expresses the value of a series of cash flows in the form of an average annual percentage return on the investment. 0% indicates "break-even", >0% indicates a positive return while <0% indicates a negative return. This measure provides a "one number" method for comparing programmes. IRR does not provide a cash value on the return nor any indication of the time taken to achieve the return.
Pay-back period (PBP)	The PBP determines the amount of time it takes for cash inflows to equal cash outflows, resulting in the break even point. This measure indicates how quickly a project turns profitable but does not illustrate the cash magnitude of the return.
Benefit to cost ratio (BCR)	The BCR is the ratio of benefits enjoyed by a certain effort divided by the costs incurred. This measure provides a "one number" method of comparing programmes. ROI does not illustrate the cash value of the return nor identify the time taken to achieve the return.