RETURNS ON WELLBEING INSTITUTE

The Case for Employee Wellbeing

Data Summary

"The most important dial on any leader's dashboard for the next 20 years will be well-being," said Jim Clifton, Gallup chairman and chief executive officer. "The money that well-being improvement means for companies—both for performance and productivity gains as well as healthcare cost reduction—is substantial."

"People with higher wellbeing perform better and have lower healthcare costs. Having an informed strategy to improve wellbeing is the single most powerful thing you can do to improve organizational and individual performance and lower costs." (Gallup Healthways, *New Discoveries in Workplace Well-Being: How to Promote a Culture of Wellbeing to Create High Performance Employees,* 9/26/16 Slide Presentation).

According to Gallup, only 33% of total US employees are engaged vs. 70% in the world's best organizations. (*State of the American Workplace* 2017)

From 1999 to 2016, healthcare coverage costs (fully and self-insured) increased over 200%. Predicted increases for the next decade mean costs will double each 12 years. Such increases are entirely driven by the costs of healthcare claims expense, the vast majority of which is caused by chronic illness, which in turn is mostly caused by unhealthy lifestyles. Wellbeing leads to healthier lifestyles and better physical wellbeing.

Organizations with high wellbeing do better financially and in terms of share value, they outperform their peer companies by a significant margin. (Jessica Grossmeier, Ray Fabius, et al., *Linking Workplace Health Promotion Best Practices and Organizational Financial Performance*, *JOEM*, vol. 58.)

GENERAL AND PHYSICAL WELLBEING DATA:

The organizational benefits of a culture of high vs. low wellbeing:

- 33% higher profitability (Gallup)
- 43% more productivity (Hay Group)
- 300% more innovation (HBR)
- 51% lower turnover (Gallup)
- 66% decrease in sick leave (Forbes)
- 125% less burnout (HBR)
- 88% engaged at work vs. 50% (Limeade)

- 41%-60% lower healthcare costs (Gallup)

Adding high wellbeing to high engagement results in astonishingly higher levels of employee performance on virtually all levels. For example, employees with higher wellbeing and engagement report that they are:

- 42 percent more likely to evaluate their overall lives highly
- 27 percent more likely to report "excellent" performance in their own job
- 27 percent more likely to report "excellent" performance by their organization
- 45 percent more likely to report high adaptability in times of change
- 37 percent more likely to report always recovering "fully" after illness, injury, or hardship (resilience)
- 59 percent less likely to look for a job with a different organization in the next 12 months
- 18 percent less likely to change employers in a 12-month period
- 19 percent more likely to volunteer their time in the past month.

(Gallup, *Well-Being Enhances Benefits of Employee Engagement*)

Employees who are thriving in overall wellbeing have 41% lower health-related costs compared with employees who are struggling and 62% lower costs compared with employees who are suffering. For every 10,000 employees, this represents a difference of $30M. (Gallup, *The Economics of Wellbeing* 2016)

Organizations with higher employee engagement levels experience: 37 percent less absenteeism; 25 percent less turnover in high-turnover organizations 65 percent less turnover in low-turnover organizations; 41 percent less quality incidents (defects); 10 percent higher customer metrics; 21 percent more productivity; and 22 percent more profitability (Moreland, 2013) Gallup poll (*How Employee Engagement Drives Growth* (2012)

Comparing top-quartile with bottom-quartile engagement business units resulted in median percentage differences of:

• 10% in customer loyalty/engagement
• 21% in profitability • 20% in productivity — sales
• 17% in productivity — production records and evaluations
• 24% in turnover for high-turnover companies (those with more than 40% annualized turnover)
• 59% in turnover for low-turnover companies (those with 40% or lower annualized turnover)
• 70% in safety incidents

• 28% in shrinkage
• 41% in absenteeism
• 58% in patient safety incidents
• 40% in quality (defects) (Gallup, *The Relationship Between Engagement at Work and Organizational Outcomes*, 2016 Q12 Meta Analysis: Ninth Edition)

Employees with high wellbeing vs. lower wellbeing:

- 88% feel engaged at work vs. 50%
- 83% enjoy their work vs. 41%
- 84% are loyal to their teams vs. 54%
- 84% recommend as great place to work vs. 48%

(Limeade, 2016 Well-Being & Engagement Report)

In U.S. organizations, highly effective employee wellbeing initiatives have:

- Reduced health care costs by more than $1,600 per employee
- Resulted in fewer lost days due to unplanned absences and disability
- Increased the organization's benefits savings by an average of more than 30 percent, when combined with related savings on health care costs
- Reduced health risks in some areas, e.g. tobacco usage
- Lowered voluntary turnover rates

(Towers Watson, *Capturing the Value of Health and Productivity Programs*, 2015)

A worker with high blood pressure incurs annual medical expenditures that are $1378 a year, or 31.6% higher than for a worker without high blood pressure. High glucose workers are 32% more costly. Obese workers are 27% more costly. (Goetzel, et als., *The relationship between modifiable health risks and health care expenditures. An analysis of the multi-employer HERO health risk and cost database. J Occup Environ Med*. 1998; *40* (10): 843 – 54)

$225.8 Billion a year is lost by US employers due to absenteeism and presenteeism caused by illness and injury. (The Centers for Disease Control and Prevention (CDC), 2015)

MENTAL/EMOTIONAL WELLBEING DATA:

Depression is the leading cause of ill health and disability worldwide. (The World Health Organization)

An estimated 6-7% of full-time employees in the US experience major depression. Stress and anxiety in the workplace are at epidemic levels. One in five adults in the US will experience a diagnosable mental illness in any given year. Of that one in five, more than half will go untreated. More than 16.1 million American workers are affected by Major Depressive Disorder while 20 million Americans are affected by substance use disorders. (The American Psychiatric Association's Center for Workplace Mental Health).

People with depression were 48.0 percent more expensive than were people not at risk ($2,184/yr) in higher costs, and workers reporting high stress were 8.6 percent ($413/yr) more costly. (Health Affairs)

Mental illness and substance abuse annually cost employers an estimated $80 to $100 billion in indirect costs alone. (The Center for Workplace Health)

More days of work loss and work impairment are caused by mental illness than by other chronic health conditions, including arthritis, asthma, back pain, diabetes, hypertension and heart disease. (The Center for Workplace Health)

Employees with depression cost employers an estimated $44 billion per year in lost productive time. (The Center for Workplace Health)

FINANCIAL WELLBEING DATA:

57% of employees very or somewhat stressed about their financial situation. Top sources of stress: saving for the future (67%); paying monthly bills (57%); and credit card debt (42%). (Prudential, 2017)

The Federal Consumer Financial Protection Bureau in 2015 issued a comprehensive report on Financial Wellbeing with definitions and analysis.

See: https://files.consumerfinance.gov/f/201501_cfpb_report_financial-well-being.pdf

See also Willis Towers Perrin: https://blog.willis.com/2018/03/now-is-the-time-to-tackle-financial-well-being/

The impact of low financial wellbeing:

- Productivity cost impact of financial stress is $3.3M per year for an employer with 10,000 workers. (PWC)
- Absenteeism cost impact of financial stress is $166,000 per year for an employer with 10,000. (PWC)
- 30% of employees are distracted by their finances at work and 46% of the distracted employees say they spend three hours or more at work each week dealing with issues related to their personal finances. (PWC)
- Employees troubled by their finances are twice as likely to be in poor health as those who declare themselves financially unworried. (Willis Towers)

(Price Waterhouse Coopers (PWC) *Financial Wellness Survey*, 2018)

FUNDAMENTAL APPROACHES THAT MUST OCCUR

1. The CEO and Board must adopt employee wellbeing as a top mission-critical strategic priority with the appropriate planning, staffing, funding, execution, and accountabilities.
2. As part of that strategic priority, the culture of the organization and its workplace must change to one of employee wellbeing. There are guides on how companies do this, but it must be CEO led. There must be a “resetting” of the employer/employee compact that emphasizes loyalty in both directions, and creates an environment where employees are cared for and about, valued, and respected. A game-changer helps. I have examples of some game-changers that are not expensive, but that work.
3. Wellbeing programs must be identified, built, and made available that smartly address specific needs of the workforce. Management must find out what those needs are from the employees. Do not assume you know!
4. And involve lower level employees in the design and implementation of such programs. High participation levels are critical to success.
5. Every workplace, however, must have one or more programs addressing chronic illness.
6. All leadership, and especially frontline managers, must lead wellbeing by example. From the CEO down, all leaders must be held accountable for the health and wellbeing of their people. The very best way to do this is to make employee wellbeing a major part of managers’ evaluations, promotions, and compensation. This is serious, and their full attention is needed.

HOW TO APPROACH YOUR CEO

If you are inspired to bring this back to your organization, ask your CEO for 30 minutes of time to consider something you believe is important for your organization. I'm sure he or she will give you that.

Most CEOs' initial reaction will be, "I don't have the time to focus on this." Same with senior staff (C Suite). And it does require CEO and C Suite time and attention if it's led the way it should be. It is almost easier to throw money at this problem than to give it the thoughtful time and attention it needs. And the crisis of the day, the over-budget initiative, or the behind-schedule technology project are demanding the CEO's attention.

There will always major distractions. But even in crisis, we brush our teeth, morning and night. That's what a culture of employee wellbeing must become--something that you do *regardless* of any other distraction.

Cultures of wellbeing must be maintained and employees must be cared for, day in and day out, regardless of any crisis or distraction. It becomes how you exist and do business, and it's the very thing that will get your organization through crises or challenges. After all: we need healthy, engaged, and thriving employees to create shareholder value and mission success.

If your CEO and C Suites don't know their levels of employee engagement, productivity, absenteeism, turnover, employee chronic illness, levels of stress, anxiety and depression, and the level of employee wellbeing in their workplace, they need to get that information. It is not a question of whether this can be done; it's whether the CEO and C Suite will do it. What they will find will be enlightening.

Returns On Wellbeing Institute: Wellbeing Assessment. *We can help you conduct a proper workplace wellbeing assessment and determine your organization's employee wellbeing levels, identify problem areas, and develop a wellbeing action plan.*

To inquire, email us at contact@returnsonwellbeing.com; 508-827-6610