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Health and well-being: invest in your employees

Executives & Entrepreneurs

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The idea that companies should invest in the health of their employees has become mainstream and a large number now offer workplace health and wellness (H&W) programs to staff. We look at some of the evidence in support of H&W programs' benefits, as well as some of the pitfalls.

- Over 80% of US large employers have H&W programs in place; many smaller employers, and many in developing markets, do not. This creates an opportunity for employers to stand out from peers.
- Successful H&W programs generate up to USD 3 in return for every USD spent. But H&W is not just about lowering health care costs. Evidence suggests companies that perform best on H&W also outperform financially.
- But the emphasis should be on the benefit to employees. Many employees believe their employer only offers H&W plans to serve its own interests. This fosters skepticism that can undermine the benefits of such programs.
- Employees respond positively when they believe their employer genuinely cares about their well-being. Hence, employers should offer H&W programs that go beyond the basic fitness and diet services to a more holistic well-being program aligned with the company's culture. When employees are more satisfied with H&W offerings they tend to be more engaged. A more engaged workforce has been shown to be causally predictive of better company financial results.
- Younger workers have different expectations to older workers, and a one-size-fits-all approach will not work. Companies should take into account the specific characteristics of their workforce.

Source: Getty Images

Opportunities & Winners	Threats & Losers
Companies that perform best on health and wellness also outperform financially.	Obese employees` healthcare costs are 75% higher than those with normal weight.
Higher levels of employee satisfaction with H&W offerings lead to more engagement.	Obesity and ill-health lead to lost productivity through both absenteeism and presenteeism.
Employees are more loyal when their employer genuinely cares about their well-being.	Employers not willing to offer flexible working hours may lose motivated employees looking for better work life balance.
Motivated employees are positive ambassadors of companies' image and perception in the public.	A poor-quality working environment can encourage bad postural habits, leading to ill-health.

Source: UBS

See page 2 for an overview of actionable measures employers can take to improve employees' health and well-being.

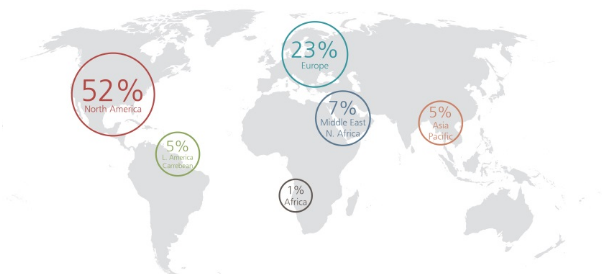
Goal	Practical example
Improve physical health	
Preventive medicine	Offer an annual health checkup
	Provide health education or coaching
	Provide free or subsidized flu vaccinations
First point of contact for health questions	Offer consultation, contemplation and care room
Encourage physical activity	Offer or subsidize access to sports facilities, e.g. gyms
	Facilitate walking or cycling to work
	Support corporate sports teams or activity groups
Improve diet	Run canteen with healthy food, e.g. offering vegan, vegetarian and gluten-free menus
	Provide healthy snacks in the working area
Digital support	Offer employee well-being solutions through an integrated app
Smoking cessation	Organize cessation programs or offer reductions on insurance premiums
Improve emotional health and well-being	
Reduce stress at work	Offer designated offices for wellness
	Flexible working times to improve work-life balance
Reduce stress outside of work	Provide access to back-up daycare
	Reimburse well-being expenses
	Offer employee assistance program
	Offer substance abuse counselling
Improve recreation	Organize regular trainings to improve well-being, e.g. tips for a good sleep
Improve Workplace environment and social health	
Provide a healthy working environment	Equip offices with plants that accelerate the removal of air pollutants and cools the surrounding space
	Offer desks with adjustable-height (standing) desks
Positive impact on local community	Support volunteering and opportunities for local citizenship
	Offer recycling workshops at work

Source: UBS

How widely adopted are employee health & wellness programs?

Employees are highly important to contribute to a company's success. Over the past decade, the idea that employers should invest in the health of their employees – beyond simply providing health insurance where legally mandated or socially expected to do so – has become mainstream. A growing number of employers now offer workplace health and wellness programs to staff. For example, in a recent survey of 554 US-based employers with 1,000 or more employees, 82% are either investing in wellness benefits already or plan to do so in the next three years[1]. Another survey[2] found that only 2% of employers believed they have no responsibility for influencing employee health and changing behaviors. However, surveys tend to focus on large companies in developed markets, especially the US, where wellness programs are a natural extension of employer health insurance offerings. Less data exists for small companies and less developed markets. In 2016, the Global Wellness Institute estimated that just 9% of workers globally have access to workplace health and wellness programs (Fig. 1). This suggests that many companies can do more to help their employees maintain their health.

Fig. 1: Percent of employed workers with access to workplace wellness programs



Source: Global Wellness Institute, *The Future of Wellness at Work*, January 2016

Why offer health & wellness programs?

According to a recent study[3], 75% of surveyed US employers invest in employee health and wellness in order to reduce medical costs . There is growing awareness that a healthier and more engaged workforce improves company performance, and academic evidence has linked financial outperformance to the presence of better-than-average health and wellness programs, although the data falls short of establishing a causal link. But yet other studies suggest not all H&W programs are equally effective, and often fail to have any impact on employees' behavior.

[1]Source: Willis Towers Watson, 23rd Annual Best Practices in Health Care Employer Survey, Jan 2019

[2]Source: AON Benefits and Trends Survey 2019

[3]Source: Kaplan et al, "Perceptions of Barriers to Effective Obesity Care: Results from the National ACTION Study", Obesity, 2017

Defining "employee health"

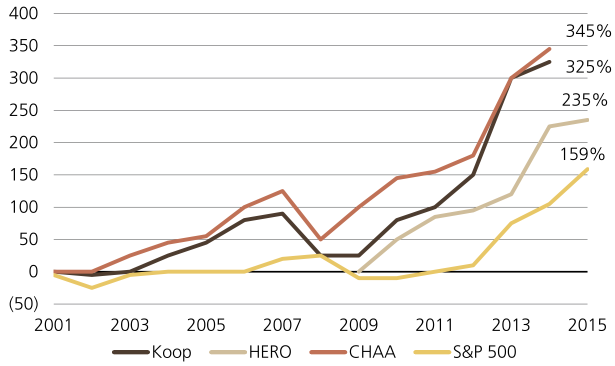
What is employee health? While the concept of an employee health & wellness program is easy enough to understand, the precise components are not necessarily exactly defined. In general, an employee health program provides activities or initiatives that make it easier for employees to make healthy life choices, both inside and outside of the work environment. In our view, an employee health program should have the following characteristics:

- An employer-sponsored program whose primary purpose is to help employees maintain and improve their physical, mental and emotional health

- It is designed to encourage behavior that reduces health risks while improving users' quality of life

- Programs can be extended to families of employees, although this is not a necessary feature

Fig. 2: Performance of companies scoring highly on employee wellness vs S&P 500



Source: J. Grossmeier et al. Linking workplace health promotion best practices and organizational financial performance. JOEM 2016;58(1):16-29. RZ Goetzel et al. The stock performance of C. Everett Koop Award winners compared with the Standard & Poor's 500 Index. JOEM 2016;58(1):9-15. R. Fabius et al. Tracking the market performance of companies that integrate a culture of health and safety. JOEM 2016;58(1):3-8.

Do health & wellness programs drive financial outperformance?

In a competitive labor market, employee health and wellness form an important part of benefits packages to attract and retain employees. Moreover, healthy employees are three times more productive and five times more engaged than unhealthy ones[4] . But do H&W programs actually lead to better company performance? The data suggest they might, with some caveats.

Academic research and case studies suggest a relationship between companies with high-quality employee health programs and those that outperform peers financially. In one widely cited study, a portfolio of winners of the C Everett Koop National Health Award, which recognizes outstanding worksite health promotion and improvement programs, outperformed the S&P 500 index over the period 2000-2014. Other studies have shown consistent results, with companies receiving high scores on the HERO scorecard (Health and Well-being Best Practices Scorecard) and winners of the Corporate Health Achievement Award (CHAA) also outperforming the broader market over study periods of six years or longer (Fig. 2).

[4]Source: Government of South Australia

But while research indicates that companies with the best health and wellness programs do better financially, it also suggests that simply having a program in place may not be enough. Failing to offer more than the standard physical health and diet management may leave employees feeling a company is only trying to lower its health care costs.

Some examples of successful employee health programs

Case studies illustrate the benefits of well-executed programs[5].

- Perhaps the best-known is Johnson & Johnson's Live for Life program. The company's management estimated that they saved USD 250 million in health care costs through wellness programs between 2002-2008, with a return of USD 2.71 per USD spent.

- Grocery retailer H-E-B implemented a widespread wellness program that it claims leads to annual savings of USD1,500 per enrollee, even for those considered to have a high-risk health status. This equates to a return on investment of 6-to-1 for moving 10% of its employees from high- and medium-risk to low risk.

[5]Both examples from Berry, L et al, "What's the Hard Return on Employee Wellness Programs?", Harvard Business Review, 2010. For further discussion please see UBS Wealth Management's White Paper Corporate Health, November 2017

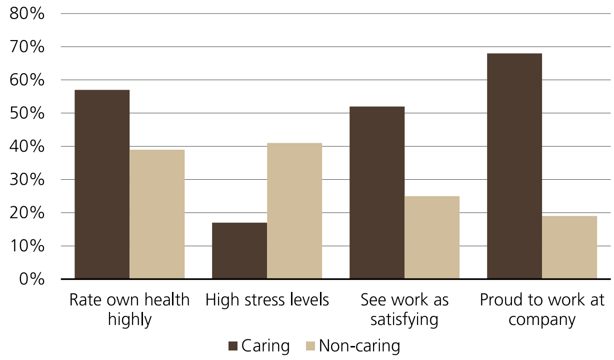
One study in 2016 reached just this conclusion[6] . The Global Wellness Institute surveyed 794 US adults about their employers' health and wellness programs, and their own self-reported health. The vast majority (75%) believe their employer offers a wellness program to save on healthcare costs or allow employees to work harder. Rather than the presence of a wellness program, employees were more likely to rate their own health highly, and to exhibit signs of engagement and commitment, if they felt their employer genuinely cared about their well-being (Fig. 3). Companies perceived to be caring were more likely to offer expanded health and wellness programs (i.e. going beyond the basic health and diet advice), stress reduction programs, flexible working and a healthy workspace design.

[6]Source: The Future of Wellness at Work, Global Wellness Institute, 2016; Unlocking the Power of Company Caring, Global Wellness Institute, 2016.

[7]Employee Engagement and Performance: A Meta-analytic Study of Causal Direction, Gallup, 2009. Engagement was measured using Gallup's proprietary Q-12 methodology that includes twelve questions about key workplace elements linked to individual and organizational performance.

Fig. 3: Impact of working for "caring" vs "non-caring" companies

(Percent of each group rating health or engagement)



Source: Global Wellness Institute, *The Future of Wellness at Work*, January 2016; UBS analysis. Note: 37% of total sample viewed their employer as "caring"

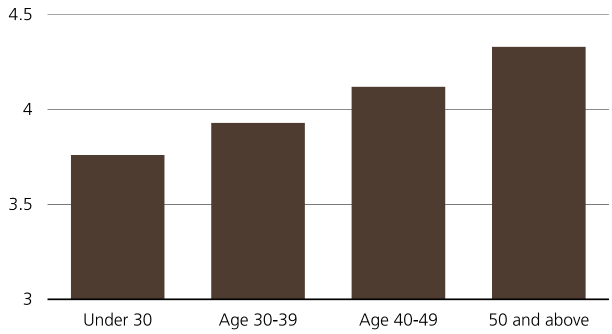
While this relatively small study is not definitive, it highlights that according to employees, rather than employers, health and wellness programs per se do not boost worker health and productivity. Similarly, data from Willis Towers Watson suggest that only 32% of employees say their companies' wellness programs have encouraged them to live a healthier lifestyle. A 2013 study by the Sloan Center on Aging and Work also found that employee satisfaction with health and wellness benefits, rather than just their presence, predicted employee engagement and commitment. This suggests a benefit to employers of going beyond the basics.

The link between employee engagement and company performance is better documented. For example, a study by Gallup[7] found that higher levels of employee engagement predict higher staff retention, customer loyalty and, indirectly, superior financial metrics, including revenues and earnings. Importantly, while the authors concluded the relationship is reciprocal, the link from engagement to business outcomes was stronger than the other way around.

One size does not fit all

As in other areas of life, millennials have different expectations and preferences when it comes to workplace well-being. Notably, millennials tend to place a higher value on emotional, social and occupational wellness rather than simply physical health, according to GWI. Additionally, the provision of a healthy work environment is an important determinant of well-being at work for millennials, while older workers prioritize physical health. While this may simply reflect the lower use of healthcare services by younger workers, it nevertheless highlights that a "one-size-fits-all" approach to wellness is unlikely to be optimal for a workforce containing a mix of age groups. Notably, in the Sloan Center study mentioned above, satisfaction with health and wellness resources was higher amongst older workers (Fig. 4). As younger workers age, employers should carefully track their preferences to see whether they shift.

Fig. 4: Satisfaction with health and wellness resources by age group



Source: Data from The Sloan Center on Aging & Work at Boston College, "Employer-sponsored Health and Wellness Resources", Global Workforce Study, 2013; UBS analysis. Note: employee responses on a six-point scale (1 = very unsatisfied, 6 = very satisfied).

Conclusion

The evidence reviewed suggests that an employee health program is a necessary, but not sufficient, condition of having a productive and engaged workforce. We expect more and more employers to broaden their offering to include holistic employee wellness programs to help employees manage their own health and well-being. This may also create new business opportunities for companies providing the relevant services. The importance of health & wellness programs will likely increase as the population ages, and chronic disease incidence rises[8].

[8]See for example Pitt-Catsouphes, M et al, "Workplace-based Health and Wellness Programs: The Intersection of Aging, Work and Health", The Gerontologist, April 2015

Fig. 5: Obesity defined as BMI > 30

Classification of patients by BMI

Classification	BMI (kg/m^2)
Normal range	18.50 - 24.99
Overweight	≥25.00
- Pre-obese	25.00 - 29.99
Obese	≥30.00
- Obese Class I	30.00 - 34.99
- Obese Class II	35.00 - 39.99
- Obese Class III	≥40.00

Source: UBS

Obesity and diabetes

Obesity is a major contributor to mortality, morbidity and healthcare costs around the world. Obesity raises the risk of diabetes, heart disease and other chronic conditions. In the workplace, it has been shown to lead to both absenteeism and presenteeism, as well as higher levels of short-term disability and workers' compensation claims:

- According to Novo Nordisk, total health care costs in the US are 75% higher for employees with BMI over 35, as compared to those with normal weight.

- Data from AON show that obese employees are 80% more likely to be absent work, averaging 3.7 more absences per year than non-obese employees, and file twice as many workers' compensation claims, with claims values seven times higher.

- This adds up to a 4.2% health-related loss of productivity for moderately or extremely obese workers, according to AON.

As a result, helping employees manage their weight is an attractive option for both employers and employees. According to Willis Towers Watson, 65% of surveyed US employers with over 1,000 employees expect to prioritize reducing the cost of diabetes and metabolic syndrome over the coming years, making it the clinical condition of most concern to US employers. This is hardly surprising given 38% of US adults are obese.

The good news is that careful weight management helps to reduce the risk of a wide range of illnesses and complications: reducing weight by just 5%-10% has been shown to improve health across a number of metrics, including reducing blood pressure and cholesterol, preventing diabetes and heart disease, and improving sleep through lower incidence of sleep apnea. Given this central position of an employees' weight in their overall health, helping staff manage their weight could lead to lower direct and indirect costs, as well as a healthier, more committed and satisfied workforce.

Obesity is typically defined in terms of Body Mass Index (BMI), calculated as a patient's weight (in kg) divided by the square of the person's height (in m), see Fig. 5. For more information please refer to our report Longer-Term Investments: Obesity, published 28 August 2019.

Sustainable investing

Ensuring the well-being of employees is a key pillar of a sustainability evaluation of companies. Management and investors increasingly recognize that the health of a company's workforce is an asset that can benefit employee retention, motivation and productivity, as well as improve the corporate's reputation in the long term. We discuss this in more detail in our report, *Aligning with SDG #3: Good Health and Wellbeing,* published 28 August 2019. The main ways in which sustainable investors think about employee wellness in their investment decisions are:

- Exclusion, e.g. avoiding companies that have had repeated negative people-related incidents, such as reported legal claims against the company from employees, or supply chain scandals.
- ESG integration, e.g. evaluating companies on their approach to employee well-being to identify potential risks or competitive advantages that could impact corporate profitability, such as unusually low/ high accident/mortality rates, or employee turnover. Indicators vary by industry but typically look for evidence of workplace comfort policies, healthcare benefits and programs, employee satisfaction levels, etc.
- Impact investing, e.g. investors engaging with company management in any sector to encourage them to improve their employee well-being, particularly using published metrics such as accident rates to measure their progress. Impact investors may also look to private markets for enterprises that are intentionally seeking to improve employee well-being at the same time as generating financial returns, though in this context it may be more likely that ‘well-being’ is addressed through creating new jobs, particularly high quality jobs, or impact investments targeting improved community health while also employing within the local community.

Rachel Whittaker, CFA, Analyst

Appendix

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