



The Business Case for Employee Health and Wellness Programs

Mary Margaret Harris, Ph.D.
Levi Strauss & Co.

A White Paper prepared by the Visibility Committee of the Society for Industrial and Organizational Psychology.
440 E Poe Rd, Suite 101 Bowling Green, OH 43402

Table of Contents

Authors	3
Introduction	4
Implications for Practice	5
Next Steps	6
References	7

Authors



Mary Margaret Harris
Levi Strauss & Co.

Mary Margaret Harris earned her BS in Business Administration from Washington and Lee University and her PhD in Industrial/Organizational Psychology from The University of Akron. She is currently leading the employee engagement program for Levi Strauss & Co.

Introduction

When a machine breaks on an assembly line, we spare little expense to fix it because productivity is at stake. Likewise, we do not run machines with known safety hazards due to the fear (and the liability) of employees being injured. However, if we take a step back to examine our employees—after all, their unique knowledge and capabilities are the “machines” that keep us moving forward in the modern workplace—we see a largely unhealthy workforce plagued by stress, obesity, physical inactivity, and a lack of sleep. The declining health of our population has significant consequences at the organizational level, but by taking a proactive approach to employee health through wellness initiatives, companies can improve the health of their employees and the bottom line.

Worksite wellness programs aim to improve employee health by focusing on risk factors, such as weight loss, fitness level, and smoking cessation. Organizations may deliver these programs through the use of health risk assessments, self-help education materials, individual counseling, on-site fitness centers, seminars, and incentives for participation. Many companies turn to external sources that specialize in the design and administration of wellness programs, especially because of the personal nature of employees' health.

A recent survey by the National Association of Professional Employer Organizations reported a staggering 41.7% of employers consider healthcare costs to be the most serious challenge to their bottom line. The good news is that companies can reduce their costs by an estimated 15% by using a behavior-driven health care strategy like a wellness program (Fogarty, 2008). Here are four reasons why wellness programs have financial advantages:

- *Lower medical costs.* Medical costs tend to be higher for employees with multiple health risks compared to healthier employees, but they fall an estimated \$3.27 for every dollar spent on wellness programming (Baicker, Cutler, & Song, 2010). This is a financial benefit typically realized in the long-term because people who are high-cost healthcare consumers are more likely to participate in a voluntary health intervention than low-cost healthcare employees; their participation may result in an increase in preventative care costs in the short term, but it is ultimately associated with fewer expensive procedures in the future (Maynard, 2008).
- *Increased employee morale.* Wellness interventions can signal to employees that their organization cares about their health and well-being, resulting in increased job satisfaction and increased morale among employees. Having employees who are engaged in their work and satisfied with their job is associated with business-unit outcomes, including customer satisfaction, productivity, profit, employee turnover, and workplace accidents (Harter, Schmidt, & Hayes, 2002).
- *Decreased absenteeism.* When employees are not healthy, they tend to be absent more frequently. Participation in organizational wellness programs is associated with decreased absenteeism, which translates to a decrease of \$2.73 for every dollar spent on wellness programming (Baicker et al., 2010). This savings is substantial considering the annual cost of workforce absences in the U.S. due to illness is an estimated \$74 billion.

- *Decreased presenteeism.* Presenteeism, which is decreased on-the-job performance due to health problems, is likely to be the most costly—and hidden—consequence of having an unhealthy workforce. Indeed, productivity loss attributable to presenteeism was over 2.5 times as costly as medical and pharmaceutical expenses combined. There is evidence that effective wellness programs can improve presenteeism costs (Hemp, 2004). Pronk, Martinson, and Kessler (2004) find that people with higher levels of physical activity tend to report fewer declines in work quality and overall job performance. Moreover, higher cardiorespiratory fitness is associated with higher quantity work and a reduction in extra effort needed to perform that work.

Implications for Practice

As discussed above, investing in employee health may improve employee morale and boost the bottom line by reducing medical expenses, absenteeism, and presenteeism. That said, not all wellness programs are created equal. This section is devoted to six recommendations for maximizing your wellness programming investment:

- *Provide incentives.* More than 70% of employees surveyed said that incentives would boost their interest in participating in a free worksite wellness program, and almost 80% of employees desired policy practices of paid time to exercise at work and healthy vending or cafeteria food choices. Other incentive strategies that are gaining popularity include premium discounts, gift cards, loyalty points, and nonmonetary incentives like communication and education information. It is important that all employees have equal opportunity to earn the incentives, regardless of whether they are healthy, at risk, chronically sick, or acutely sick. In addition, incentive programs must be carefully executed because once expectations are set, it is difficult to go back to a lesser incentive level (Goldman, 2011).
- *Use goal-setting to facilitate program adherence.* A promising way to facilitate program adherence is to have people set goals about their future participation. For example, people who set goals for attending workplace health and safety courses over a 3-month period attended twice as often as employees who did not set goals (Sheeran & Silverman, 2003).
- *Provide necessary tools and resources.* When implementing a wellness program, consider the program goals and the types of resources will best serve employees. Researchers have found that employees prefer fitness centers (80.6%), weight loss programs (67.1%), and on-site exercise classes (55.2%; Kruger, Yore, Bauer, & Kohl, 2007). Thus, if one goal of the program is to encourage physical exercise, a convenient on-site fitness center may be a reasonable investment, particularly because over 40% of people cite not having enough time as a major barrier to engaging in physical activity. Employees are more likely to use an on-site facility if it is convenient, has sufficient equipment, the price is reasonable, and it has adequate facilities that enhance comfort and privacy (Schwetschenau, O'Brien, Cunningham, & Jex, 2008).
- *Individually tailor programs.* If the goal is to influence the overall health of the workforce, less structured approaches that promote incidental physical activity (e.g., more walking required to complete a task or increasing the use of stairs) within the workplace are most successful. However, if the aim is to gain participation and sustain behavior change, programs should be tailored to meet individual needs (Marshall, 2004).
- *Market the program.* Wellness program cannot work if people are unaware of the program or uninspired by the potential benefits of the program. It is necessary to formally market the pro-

More than 70% of employees surveyed said that incentives would boost their interest in participating in a free worksite wellness program, and almost 80% of employees desired policy practices of paid time to exercise at work and healthy vending or cafeteria food choices.



gram and to propagate the message informally by establishing a cultural push towards health that builds from the support of upper management.

- *Evaluate program outcomes.* Too often, the benefits and outcomes associated with wellness programs are not measured or followed over time, but this is a necessary step for improving and understanding the impact of wellness programs. Shikiar, Rentz, Halpern, and Khan (2010) have developed the Health and Work Questionnaire (HWQ), which is a promising way of assessing group differences and evaluating the impact of health interventions on workplace productivity by examining productivity, concentration/focus, supervisor relations, impatience/irritability, work satisfaction, and non-work satisfaction.

Next Steps

Health and wellness programming in the workplace may be the single most effective and proactive tool for simultaneously combating increases in health care costs and declines in employee health (DeVries, 2010). The evidence is now clear that wellness interventions can reduce long-term health care costs and employee absenteeism while increasing worker productivity and job satisfaction. Additionally, researchers have found that by providing incentives and the proper tools, sedentary people can become more active, healthier employees. These trends demonstrate that employers can no longer afford to wait on the sidelines, hoping that employee health will improve. Rather, it is becoming a matter of necessity for employers to invest in proper wellness programs that guide employees to healthier lives and spare related bottom line costs.



References

- Baicker, K., Cutler, D., & Song, Z. (2010). Workplace wellness programs can generate savings. *Health Affairs*, 29(2), 1–8.
- DeVries, G. T. (2010). Innovations in workplace wellness: Six new tools to enhance programs and maximize employee health and productivity. *Compensation & Benefits Review*, 42(1), 46–51.
- Fogarty, S. (2008). The importance of EAPs in population health management. *Benefits Compensation Digest*, 45(10), 10–14.
- Goldman, S. (2011). The wellness prescription. *Journal of Consumer Marketing*, 28(1), 87–91.
- Harter, J. K., Schmidt, F. L., & Hayes, T. L. (2002). Business-unit-level relationship between employee satisfaction, employee engagement, and business outcomes: A meta-analysis. *Journal of Applied Psychology*, 87(2), 268–279.
- Hemp, P. (2004). Presenteeism: At work—but out of it. *Harvard Business Review*, 82(10), 49–58.
- Kruger, J., Yore, M., Bauer, D., & Kohl, H. (2007). Selected barriers and incentives for worksite health promotion services and policies. *American Journal of Health Promotion*, 21, 439–447.
- Marshall, A. (2004). Challenges and opportunities for promoting physical activity in the workplace. *Journal of Science and Medicine in Sport*, 7(1), 60–66.
- Maynard, L. J. (2008). Short-term impact of a voluntary health intervention on overall vs. preventive healthcare consumption. *International Journal of Consumer Studies*, 32(3), 296–302.
- Pronk, N.P., Martinson, B., Kessler, R.C, Beck, A. L., Simon, G. E., & Wang, P. (2004). The association between work performance and physical activity, cardiorespiratory fitness, and obesity. *Journal of Occupational & Environmental Medicine*, 46, 19–25.
- Schwetschenau, H. M., O'Brien, W. H., Cunningham, C. J. L., & Jex, S. M. (2008). Barriers to physical activity in an on-site corporate fitness center. *Journal of Occupational Health Psychology*, 13(4), 371–380.
- Sheeran, P. & Silverman, M. (2003). Evaluation of three interventions to promote workplace health and safety: Evidence for the utility of implementation intentions. *Social Science and Medicine*, 56(10), 2153–2163.
- Shikiar, R., Rentz, A., Halpern, M. & Khan, Z. (2001). The health and work questionnaire (HWQ): An instrument for assessing workplace productivity in relation to worker health. *Value in Health*, 4(2), 181–181.