



North America

# The Health and Productivity Advantage

2009/2010

**Staying@Work Report**

Originally published by Watson Wyatt Worldwide



**National  
Business  
Group on  
Health**

**TOWERS WATSON** 



# 2009/2010

## Staying@Work Report



### At a Glance

**Companies with the most effective health and productivity programs** experienced superior human capital and financial outcomes.

**More than two-thirds of companies** have added or enhanced existing programs or expect to do so in the next year.

**Excessive work hours, lack of work/life balance and fears about job loss** are the foremost sources of stress that are impacting organizations today.

### Table of Contents

Key Findings	2
The Pathway to a Healthy and Productive Workforce	5
Linking H&P Effectiveness to Human Capital and Financial Outcomes	8
H&P Strategy	12
Significant Barriers	13
Impact of the Economic Slowdown	14
Employee and Manager Accountability	18
Stress: Impact, Actions and Effect	19
Managing H&P Costs	21
The Drivers of Short-Term and Long-Term Disability	22
Managing Lifestyle Risk Factors	23
Designing an Effective H&P Framework	25
Conclusion	34

### Featured Figures

Figure 4. Linking H&P effectiveness to financial performance	8
Figure 5. Lost days per employee in 2008 and expected in 2009	9
Figure 7. U.S. health care trends and PEPY medical costs	9
Figure 14. Strong commitment to H&P	15
Figure 15. H&P program partners	16
Figure 18. Sources of stress at U.S. and Canadian organizations and actions taken to reduce them	19
Figure 20. H&P costs as a percentage of payroll	21
Figure 21. The most frequent disabling conditions	22
Figure 29. Senior leadership support	29

# Executive Summary

Despite numerous cuts to HR programs and other financial challenges facing employers in this unprecedented economic environment, a large number of U.S. and Canadian companies remain committed to programs aimed at improving their workers' health and productivity (H&P). Lessons can be learned from both sides of the border to improve employee health, combat presenteeism and reduce lost time from work. Leading companies believe in identifying the root causes of health care cost increases and productivity erosion and are strengthening the link between health and employee effectiveness.

The findings document essential programs that can help organizations in North America connect health improvement with increased worker effectiveness and reduced workplace stress. Companies with effective H&P programs are also more likely to have lower health care costs, lower levels of presenteeism, fewer lost days due to disabilities and lower levels of turnover relative to their industry peers.

This year's findings show companies are at a critical juncture. The pressure to reduce benefit budgets, especially health care costs, will likely continue. With a significant increase in utilization of programs — health care, disability and employee assistance programs were reported up by 35 percent or more — companies will need to focus on those programs that generate the greatest returns as well as communicate to senior leadership how and why they pay off. There are lessons to be learned from the highly effective companies; they have stronger balance sheets, lower benefits costs and higher workforce effectiveness. The research results show that companies that get it right have a significant financial and human capital advantage.

## Key Findings

**The H&P Advantage:** Overall, organizations continue to show a strong commitment to health and productivity. More than two-thirds of companies have added or enhanced their existing programs or expect to do so in the next year. More than three-quarters have already improved or plan to improve their H&P program communication and enhance worksite programs. This commitment is even stronger for companies with highly effective H&P programs. They are 50 percent more likely to indicate their organization has added or enhanced its worksite H&P programs, or plans to do so, than low-effectiveness companies. In addition, low-effectiveness companies are 2.5 times more likely to indicate a significant decrease in their H&P budget than high-effectiveness companies.

**The Financial Advantage:** Companies with the most effective H&P programs experienced superior human capital and financial outcomes: 11 percent higher revenue per employee, lower medical trends by 1.2 percentage points, 1.8 fewer days absent per employee and 28 percent higher shareholder returns. High-H&P-effectiveness companies are also more likely to have lower health care costs, lower levels of presenteeism, fewer lost days due to disabilities and lower levels of turnover relative to their industry peers.

**Health and Employee Effectiveness:** The link between healthy and productive employees goes beyond the physical and mental health of individuals to creating a healthy work environment. The most effective H&P organizations are more likely than other organizations to score highly in the areas of rewards, organizational leadership and effective communication, which contribute to overall employee productivity.

**The North American Distinction:** Canadian organizations have more programs for managing absence, disability and stress at the workplace, whereas companies in the United States are more focused on health promotion and health management programs.

**Higher Program Use:** Companies are struggling during the economic slowdown with swelling health care utilization. Forty percent of respondents report higher use of the health care plan, 35 percent cite a higher incidence of disability claims and nearly half

indicate a marked increase in the use of employee assistance programs.

**The Stress Impact:** Excessive work hours (75 percent), lack of work/life balance (65 percent) and fears about job loss (64 percent) are the foremost sources of stress affecting organizations today. Significant gaps, however, exist in companies' actions to reduce these stressors, as only 24 percent of companies are taking actions to address excessive workloads, 40 percent are acting on work/life balance and 42 percent are addressing fears about job loss.

**Leadership Matters:** Companies with the most effective H&P programs have strong commitment from senior managers who regularly communicate the importance of a healthy lifestyle, volunteer to be health champions and provide adequate budgets to support the H&P programs.

## About the Survey

The 2009/2010 Staying@Work report, "The Health and Productivity Advantage," is the result of Watson Wyatt's inaugural North American survey of companies' health and productivity programs. The report reflects the natural evolution of this research, which has been separately conducted in the United States and Canada for more than a decade. In the United States, the survey was jointly sponsored by the National Business Group on Health and Watson Wyatt. This year's study focuses on identifying the essential programs that are most effective at improving employee health and productivity and achieving subsequent business success.

The report reflects the responses of 352 human resources and/or health benefits managers with at least 1,000 employees. In total, 282 surveys were completed by respondents in the United States, and 70 were completed by respondents in Canada. The responding organizations employ 11 million workers and operate in all major industry sectors: 60 percent are publicly traded, 23 percent are private and 17 percent are nonprofit/government organizations.

Figure 1. Full-time employees

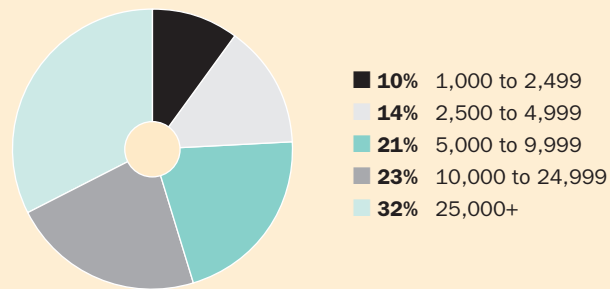
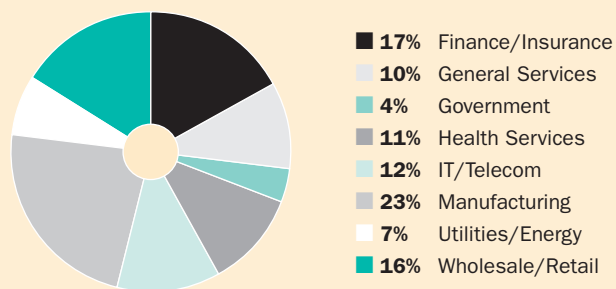


Figure 2. Industry sectors



# Glossary

**Biometric testing:** Screening for cholesterol, blood glucose, blood pressure, body mass index (BMI) or other physiologic indicator of health status.

**Chronic disease (or chronic condition)**

**management program:** Behavior change coaching via telephone or in person to improve daily self-care, encourage medication compliance and promote appropriate periodic exams/tests for chronic diseases; includes Web-based self-help modules.

**Direct costs:** The benefit amounts (or premiums) paid and administrative costs for disability benefit plans. Cost is expressed as a percentage of payroll over a given period of time.

**Employee assistance program (EAP):** A telephone or in-person assessment, short-term counseling and referral for addressing personal issues affecting work performance or family life; includes issues related to mental health, substance abuse, legal matters, financial problems, family, elder care and day care.

**Health and productivity:** Strategy, tactics and programs to improve employee/family health and the company's workforce effectiveness.

**Health risk appraisal:** A self-assessment questionnaire addressing health risks, health status, health history and presence of disease; can include work loss and job performance.

**Incidental sick pay:** A program covering very short periods of incidental absence, typically five days or fewer, due to illness; these absences are before eligibility for short-term disability or salary continuance programs.

**Indirect costs:** Any disability costs not paid directly to employees in cash or in kind, but incurred as a result of employee illness or injury. These costs can include overtime, lost productivity and other expenses associated with replacing resources. Cost is expressed as a percentage of payroll over a given period of time.

**Lifestyle behavior change programs:** Coaching designed to address lifestyle risk factors. Method of delivery can include telephone, in-person, e-mail-based or Web-based self-help modules.

**Lifestyle risk factor:** An aspect of personal behavior or lifestyle associated with an increased occurrence of disease, such as smoking, lack of exercise and poor nutrition; or a health-related event or condition, such as obesity or high cholesterol.

**Long-term disability (LTD):** Programs that partially replace income for employees who are absent from work for long periods of time due to an illness or injury (typically until the earlier of recovery, retirement or death); benefits are generally coordinated with disability replacement income from social programs and typically have a waiting period of 180 days.

**Presenteeism:** When an employee is physically at work but not fully productive due to physical or mental health conditions or due to stress related to job, personal or financial matters.

**Preventive care:** Periodic tests, exams and screenings to detect disease at an early stage or identify potentially harmful lifestyle issues.

**Resilience:** Strength in the midst of change and stressful life events; the power of springing back or recovering readily from adversity.

**Short-term disability (STD):** A program that pays up to 100 percent of wages to protect a worker's economic security during the initial period of disability following an illness or injury up to a specified maximum period, usually less than 180 days; for this study, STD includes all short-term income replacement programs other than workers' compensation.

**Unplanned absence:** A very short period of absence, typically five days or fewer, including incidental sick days and personal days, where the time away from work was not known and approved in advance by the employee's supervisor.

**Workers' compensation:** A state/provincial program providing coverage for medical treatment, lost wages, death benefits and other related expenses arising from an on-the-job injury or illness.

# The Pathway to a Healthy and Productive Workforce

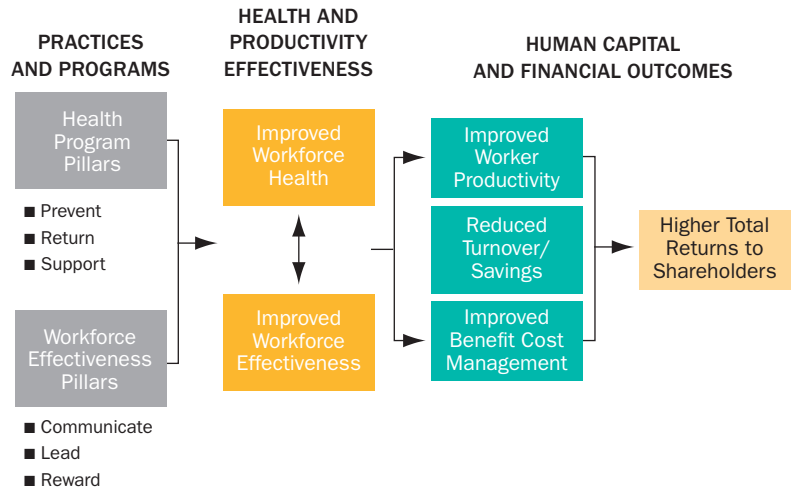
Having employees at work and actively engaged is fast becoming the primary global workforce issue in today's competitive business landscape. As the modern workplace continues to evolve with global competition, knowledge that is driving innovation and information flowing at digital speeds, a heightened premium is being placed on creativity, cognitive ability and mental capacity. Employees today are faced with unprecedented change and greater uncertainty as they attempt to find new ways to function productively in this economy, where the heavy lifting is being done largely by the mind.

Proactive and progressive CEOs, CFOs and HR executives are now starting to examine different ways to tackle the challenges of rising health care and disability costs, lost productivity and high employee turnover. They believe they can maximize their business performance by improving the work environment and investing in health programs for their employees. They understand the business reality of functioning in a competitive marketplace and the challenges of providing a dynamic work environment to achieve more with less.

An effective health and productivity framework invests in a comprehensive set of programs that addresses the complex issues facing employees and spans the entire health continuum. Addressing health and injury risks, acute illness, chronic conditions, stress and disability is paramount to achieving reduced absence, lower benefits costs, improved productivity and, ultimately, better financial outcomes. Companies that use their entire corporate leverage in an integrated way are delivering the greatest business value.

But an effective H&P framework goes beyond simply adding more programs. Companies with an effective H&P framework recognize the inextricable link between health programs and employee effectiveness. Watson Wyatt's Global WorkAttitudes research has shown that top-performing companies that create a compelling enterprise-wide employment deal help generate a highly engaged workforce.<sup>1</sup> While the deal is closely related to compensation and benefits, it encompasses far more than monetary rewards. The deal includes company culture, company mission and values, and interpersonal relationships. Effective communication from senior management directly connects employees to the purpose of the organization,

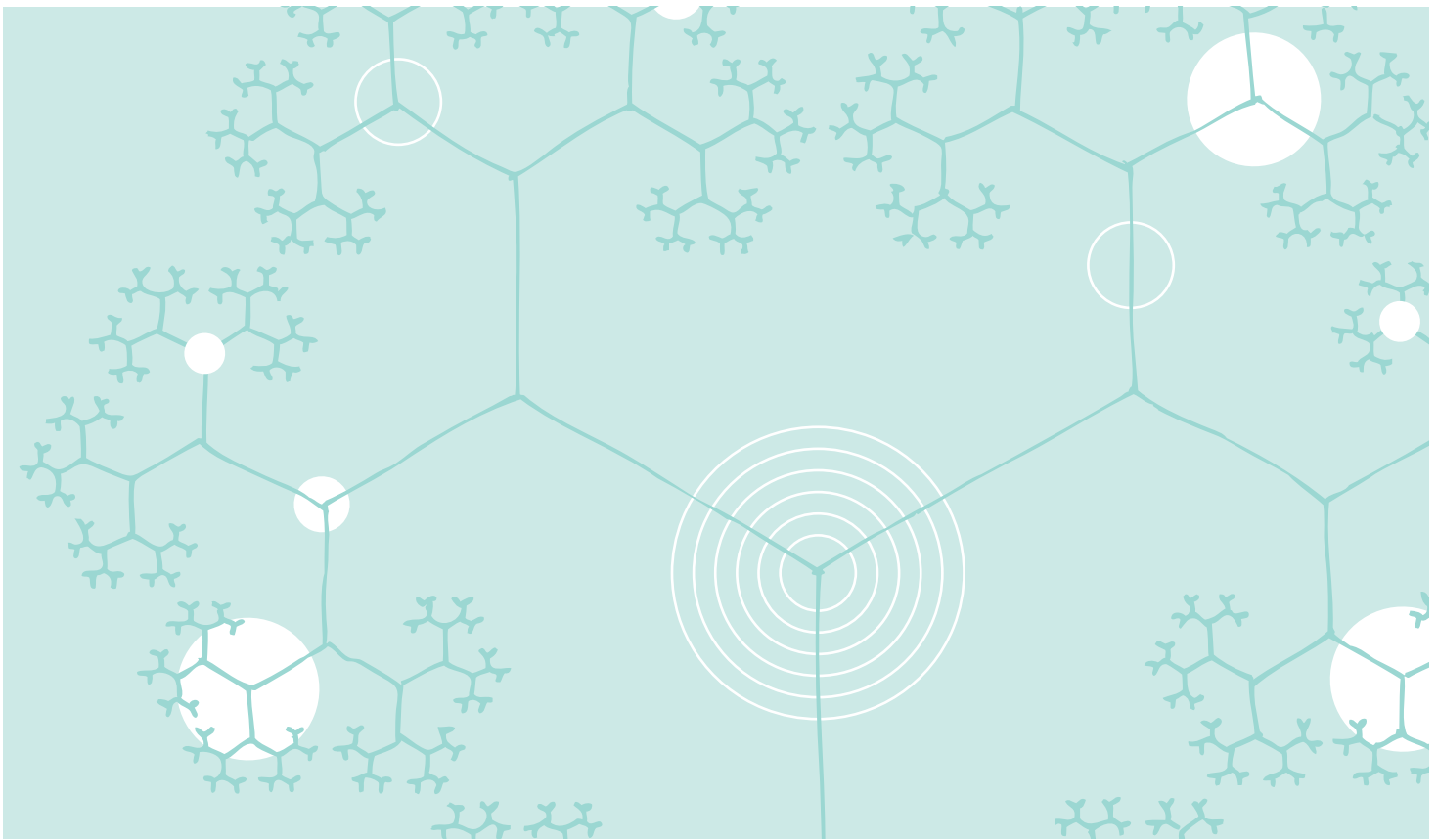
**Figure 3. Pathway to a healthy and productive workforce**



creating a sense of collective resolve that helps accelerate progress toward goals. Essentially, healthy and engaged employees are the real global currency in the competitive business landscape.

With this insight into the links between health programs and workforce effectiveness, senior management and HR can help to improve the health and effectiveness of the workforce. This provides the blueprint for a more satisfying work experience, supports the delivery of higher-quality products and services and generates superior return on investment to shareholders. These companies will reap the rewards of greater productivity, higher retention and stronger financial performance, surpassing others who don't.

<sup>1</sup> See Watson Wyatt's 2009/2010 WorkAttitudes Survey Report, "Driving Business Results Through Continuous Engagement."



## Defining H&P Effectiveness

The survey contained 20 items equally divided between health program effectiveness and workforce effectiveness. Companies' responses reflected their self-assessment of how effective the companies have been across this comprehensive set of items that are essential to developing a healthy and productive workforce. Taken together, these items represent a comprehensive diagnostic of the effectiveness of companies' health and productivity strategy and programs.

### *Health Program Effectiveness*

- Reducing lifestyle-related health risks in your employee population
- Reducing the impact of chronic disease in your employee population
- Encouraging employees to participate in healthy lifestyle programs
- Managing the impact of all lost time
- Improving overall employee performance at work
- Integrating the delivery of benefits and vendor programs
- Using data to measure the impact of health and productivity programs
- Making managers accountable for improving, managing and maintaining a healthy and productive workforce
- Creating a corporate culture of health in your organization
- Generating positive financial return from investing in health and productivity programs

### *Workforce Effectiveness*

- Understand what they need to do to help your organization achieve its business goals
- Are motivated to achieve the goals and mission of your organization
- Recommend your organization as a good place to work
- Believe they are paid well for the work they do
- Have the skills and competencies they need to do their jobs well
- Have the tools and resources they need to do their jobs well
- Have a say in how they do their jobs
- Believe work expectations are reasonable
- Understand and live up to your organization's values and expect the same from others
- Have trust and confidence in senior management

## Methodology

An overall score was created by summing an equally weighted value of responses for each of the 20 H&P items in order to capture all facets of an effective H&P framework in a single summary variable, which we refer to as H&P effectiveness. Although this grouping is based on an *a priori* assessment, we confirmed its validity using the Cronbach alpha measure for scale reliability based on internal consistency (Cronbach, 1951).<sup>2</sup> The H&P effectiveness construct had an alpha of 0.92. Companies are divided into three equal groups based on their H&P effectiveness score, with the highest values determined to have the most effective H&P program. In the second half of the report, we compare the differences in the tactics and programs used by the high-, medium- and low-effectiveness companies, in order to determine the biggest differentiators of H&P effectiveness.

In addition, the H&P Scorecard, developed by Watson Wyatt Worldwide, was used to determine the impact of organizations' health programs and the practices and policies that promote workforce

effectiveness. The questions in the survey were separated into two primary categories: health programs and workforce effectiveness. Both categories are defined by three pillars and further separated into 18 sub pillars. An organization is given a score of between 0 and 5 for each metric, with 0 indicating no best practices in place and a 5 indicating all best practices in place. Overall scores represent the weighted average of the individual respondents' scores within each category. A combination of factor analysis and regression analysis of the factor scores against H&P effectiveness is used to develop relative weights for allocating the values across the sub pillars to develop the scores for the H&P Scorecard.

A more detailed discussion of the statistical analysis is available upon request. See "The Methodology Behind the 2009/2010 North American Staying@Work™ Survey."

<sup>2</sup> Cronbach, L. J. (1951). Coefficient alpha and the internal structure of tests. *Psychometrika*, 16(3), 297-334.

## Cross-Border Differences in H&P — United States and Canada

The commitment to health and productivity transcends borders. Companies across the globe are focused on cultivating a healthy, engaged and productive workforce with the goal of creating a competitive advantage in an increasingly global economy. But culture, workforce practices and the structure of national entitlement programs across countries can create very different points of emphasis in health and productivity strategies. This is quite evident when comparing the practices and programs in the United States and Canada.

Canadian companies have adopted more advanced approaches to absence, disability and stress management in the workplace. There is broader acceptance in Canada of mental health issues as a significant workplace challenge equal in importance to that of physical illnesses. Canadian companies also place greater emphasis on HR practices and policies, and manager and employee accountability for improving, managing and maintaining a healthy organization.

The United States has a more developed approach to health promotion and health management, while lagging in programs to effectively manage absence and disability. Specifically, organizations in the United States place a greater emphasis on reducing lifestyle risks and on actively managing chronic conditions within the workforce — both important drivers of health care costs, absence and disability. This emphasis may be attributed to the nation's fragmented, specialty-based provider system, whereas in Canada a more robust primary care system exists that effectively delivers these types of services.

However, the structure of employer-sponsored benefit programs in each country likely explains many of these differences; health care dominates the United States employer's agenda; in contrast, sickness and disability payments are the largest employer-controlled benefit cost in Canada.

# Linking H&P Effectiveness to Human Capital and Financial Outcomes<sup>3</sup>

Companies that approach H&P as a business strategy — by creating a balanced set of programs and practices and by monitoring the effectiveness of their approach — achieve significantly better financial outcomes. Those with the most effective H&P programs are linked to higher shareholder returns, higher workforce productivity, lower rates of work loss and lower health care costs. While there is further progress to be made, both in terms of enhancing program design and effectiveness and expanding the number of employees who are highly engaged in H&P programs, the results are impressive, especially when viewed against the backdrop of a weak global economy and continued medical cost inflation.

Organizations with the most effective H&P programs had total returns to shareholders (TRS) over the past five years of 14.8 percent, compared with low-effectiveness companies, which reported a decline of 10.1 percent.<sup>4</sup> After adjusting total returns relative to their industry average, high-effectiveness companies performed 55.3 percent better than their industry peers compared with 21.1 percent for firms with low-effectiveness scores.<sup>5</sup> Organizations with higher levels of H&P effectiveness also earn a higher market premium and report the highest average revenue per employee.

Average unplanned lost days were 4.0 days per employee in 2008, and the same is expected in 2009. But companies with the most effective H&P programs had average lost days due to unplanned

absence of 3.0 days per employee, compared with 4.8 days for low-effectiveness companies. High-effectiveness companies also report losing 1 day less per employee due to disabilities compared with firms with low effectiveness scores.

Having employees fully productive while physically at work despite physical, mental or stress-related challenges is a struggle for many companies. However, companies with the highest effectiveness scores report the lowest levels of lost productivity attributed to presenteeism. Two-thirds of high-effectiveness companies reported less than 10 percent of lost time due to employees not being fully engaged, compared with roughly one-third of companies with low effectiveness scores.

Health care cost trends are 1.2 percentage points lower for high-effectiveness companies compared with low-effectiveness companies. For an American company that has costs of \$100 million for its health care program, that translates to over \$20 million in health care savings over the next five years. However, today annual medical costs for high-effectiveness companies are only 2.3 percent below plan costs of low-effectiveness companies, which translates to roughly two years of health care cost trends, based on the differences shown in **Figure 7**. Over time, the disparity between per-employee per-year (PEPY) costs would widen, if the differences between trends of high- and low-effectiveness companies were to persist.

**Figure 4. Linking H&P effectiveness to financial performance**

H&P effectiveness	Average market premium	Average market premium vs. industry	Five-year TRS (2004 to 2008)	Five-year TRS (2004 to 2008) vs. industry average	Revenue per employee (thousands \$)
High	5.0%	11.7%	14.8%	55.3%	\$483
Medium	0.0%	6.4%	-8.2%	30.7%	\$445
Low	-25.0%	-15.8%	-10.1%	21.1%	\$434

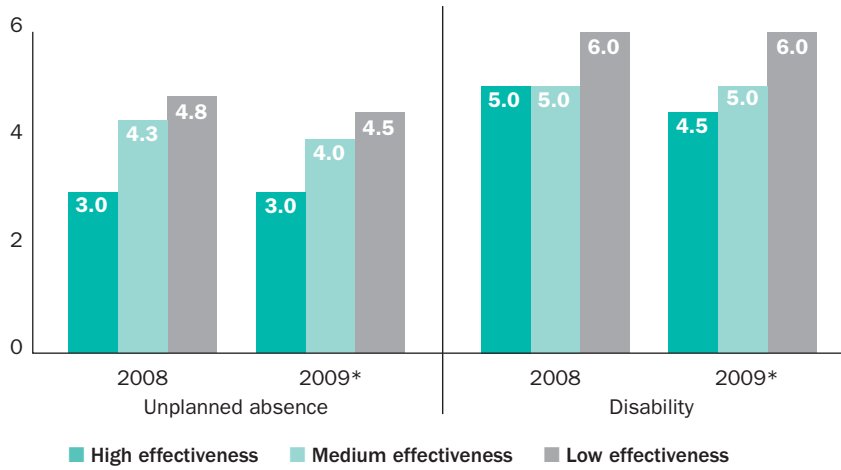
Notes: Market premium (or Tobin's Q) is the ratio of the market value of equity plus the book value of debt divided by the book value of assets minus one. Industry comparisons represent the difference between the company and its industry average. Figures include companies whose financial information was publicly available.

<sup>3</sup> Results in this section combine responses and outcomes for U.S. and Canadian organizations.

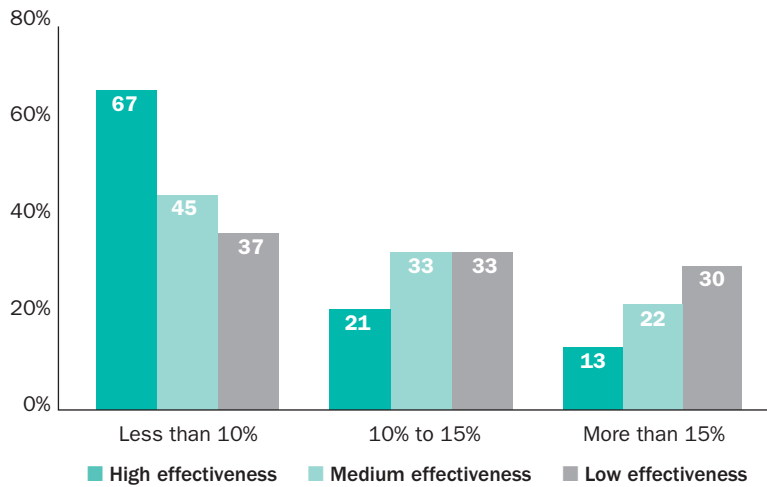
<sup>4</sup> Overall, performance is quite a bit lower than in our prior year's report, reflecting the significant decline in equity prices at the end of 2008. The S&P 500 Index declined by 18.8 percent from December 2003 to December 2008, and the S&P/TSX Composite Index increased by 9.3 percent over the same period.

<sup>5</sup> Industry adjusted equals the average of a company's five-year TRS minus the average of its industry's five-year TRS, using two-digit NAICS to define industries.

**Figure 5. Lost days per employee in 2008 and expected in 2009**

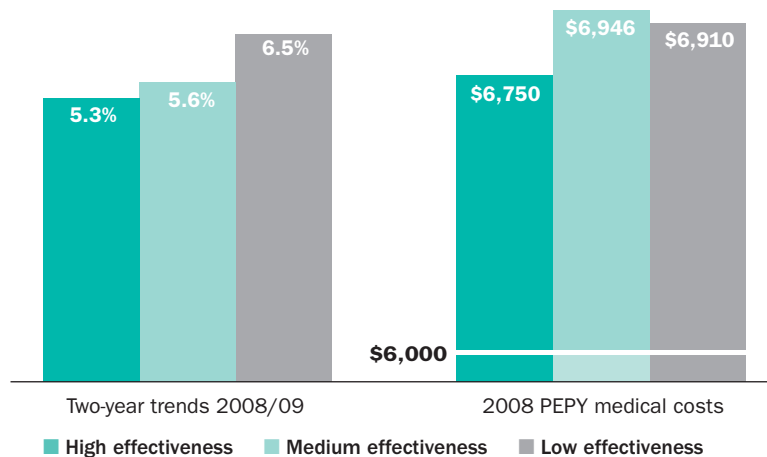


**Figure 6. Portion of time lost due to presenteeism**



Notes: Excludes those that responded "don't know."  
Numbers may not total 100% due to rounding.

**Figure 7. U.S. health care trends and PEPY medical costs**

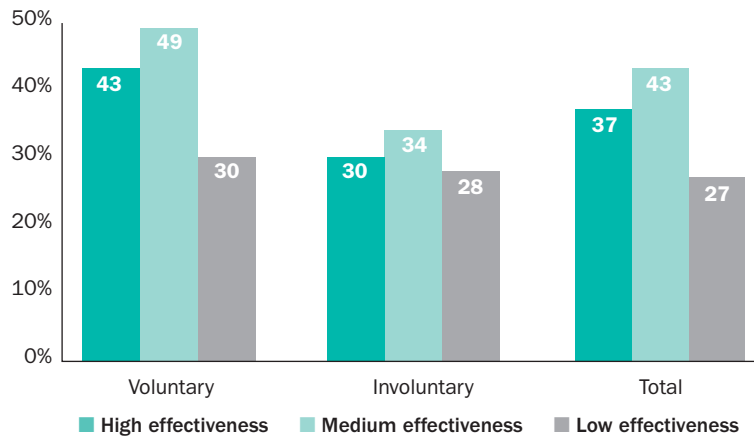


Notes: Trends and per-employee per-year medical costs based on the 14th Annual Watson Wyatt/National Business Group Survey on Health Purchasing Value in Health Care, 2009. Figures based on U.S. companies only.

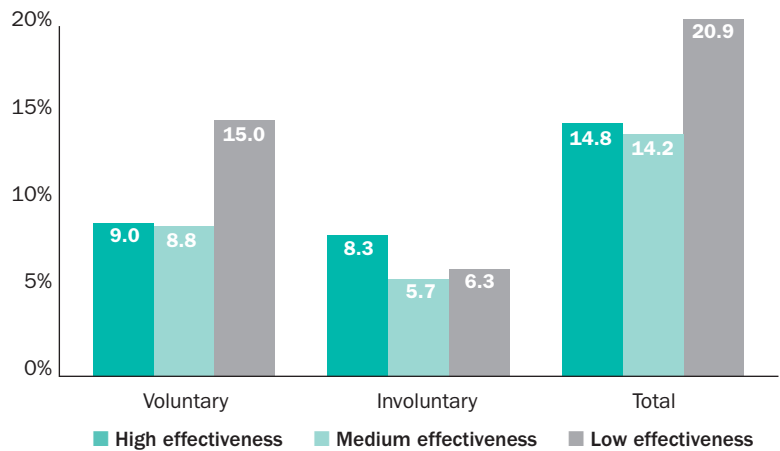
Organizations with highly effective H&P programs also report turnover rates below their peers over the past two years. Specifically, high-effectiveness companies were nearly 40 percent more likely than low-effectiveness companies to indicate their turnover was below their peers. In fact, total turnover rates among the most effective companies were 14.8 percent, while low-effectiveness companies reported total turnover of nearly 21 percent. However, high-effectiveness companies were somewhat more likely to report higher rates of involuntary turnover than other companies, suggesting high performers responded more quickly to performance issues or changes in business environment.

Finally, companies that offer health risk appraisals to their workforce were asked how the rates of health risks have changed in recent years. Companies with the most effective H&P programs are nearly three times more likely to indicate that at least some health risks have improved compared with firms with low H&P effectiveness scores (**Figure 10**). However, many companies that offer health risk appraisals do not closely track trends in lifestyle health risks, although those with the highest effectiveness scores are more than twice as likely to be monitoring health risks as firms with the lowest effectiveness scores.

**Figure 8. Percentage of companies with turnover rates significantly below competitors**

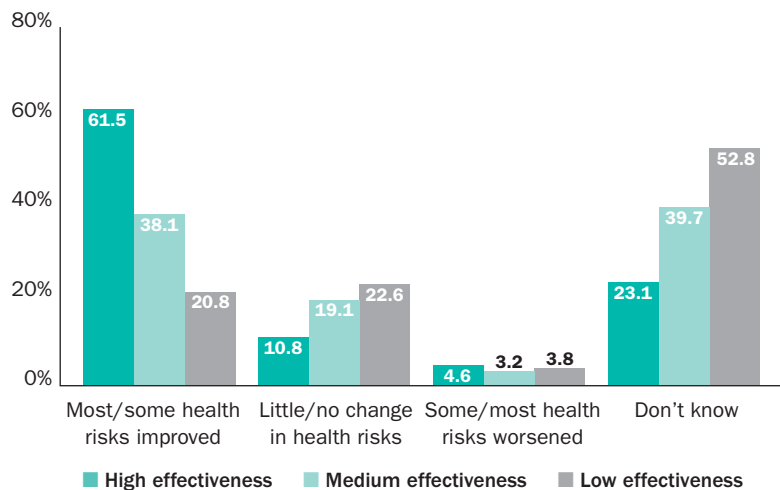


**Figure 9. Turnover rates**



Note: Estimates based on medians.

**Figure 10. Trends in lifestyle health risk factors**



Note: Includes companies that currently use a health risk appraisal.

## Evolution of Health and Productivity

The social and economic context in North America over the past three decades has been witness to a tremendous evolution in the importance of employer-sponsored health and security benefits. There has been a dramatic shift from individual benefit offerings to a growing acceptance and understanding of the link between workplace health and employee well-being and performance. Research also supports how both are critical components to business success. The following chart summarizes the milestone changes in the evolution of health and productivity and the emerging trends that link benefit programs to organizational health.

### Health and Disability

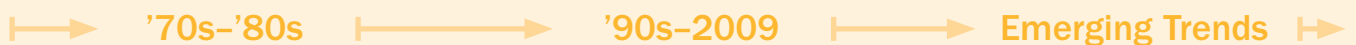
- Managed health care and PBM become new cost-control approaches
- Health becomes public concern
  - Health appraisals
  - Smoking identified as unhealthy
  - National health initiatives
- Legalistic disability adjudication system
- Fraud identification and management
- Self-care books emerge
- Worksite programs launch
  - Fitness centers
  - Chronic illness programs
- Workers' compensation reform
- Strict time and attendance policies

### Integrated Health and Productivity

- Consumerism focus
- Presenteeism emerges as a new business issue
- Workplace stress and mental health become HR issues
- Holistic models of health promotion and disability management emerge
- Web-based health programs
- HRAs and health risk reduction gain popularity as tools to improve work performance and manage health costs
- RTW programs expand
- EAPs and specialty vendor market explode
- ROI expectation

### Health and Productivity as Business Value

- Employee effectiveness strategies linked to health and productivity initiatives have measured business outcomes
- Workplace stress, inflexible work tools and work/life imbalances will continue as the major sources of work impairment in the foreseeable future
- Total rewards redefined to include health, workforce effectiveness, personal wealth, benefits and compensation
- More focus on business performance metrics rather than ROI as a success metric



The most critical issue for employers over the next few years will be keeping their workforces healthy, productive and engaged. Demographics and population health will be key drivers for human resource departments. With the recession and the loss in savings for many people near retirement, the number of employees deferring retirement will also add to the proportion of older workers still working. These drivers will put greater pressure on employers to provide tools, management processes and good measurement programs to help employees become and stay engaged around health, therefore avoiding unnecessary absences, turnover and performance issues.

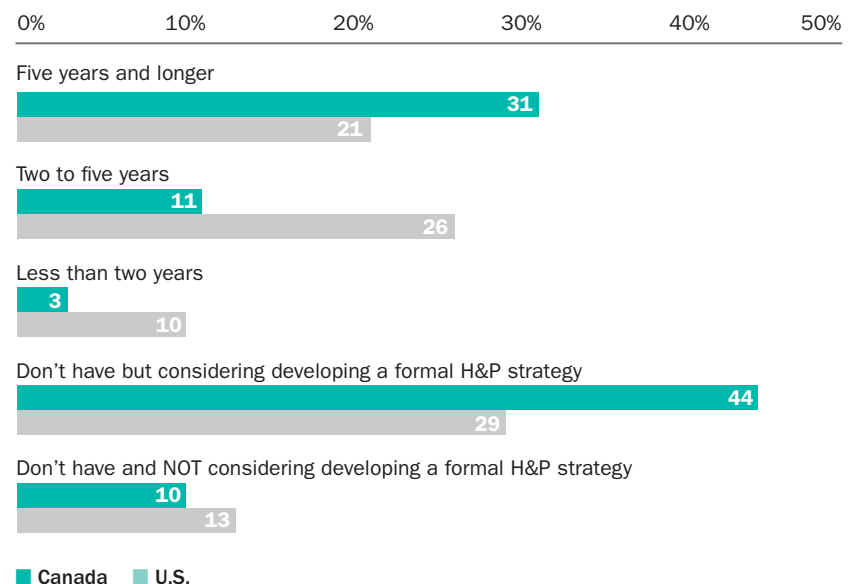
Leading-edge employers are shifting their senior management discussions from the cost of benefits to how to create value through the investment in employee health and effectiveness. They are doing this by focusing on programs that improve health, better manage chronic illness, and engage employees to be effective health consumers and hold themselves accountable for improving the work environment. As the industry and available tools evolve, experimentation will continue, with technology taking an ever-increasing role in delivering cost-effective solutions. Health and productivity programs, which create value for employees and employers alike, are being viewed as a competitive advantage. How these programs are delivered in the future and by whom will be sorted out and measured for success over the next few years.



## H&P Strategy

Companies are also taking steps to define their rationale for H&P programs. More than half of companies (55 percent) have a formal health and productivity strategy that is written and approved by senior management and communicated to employees. U.S. companies are more likely to have a formal strategy than those in Canada (57 percent versus 45 percent). However, nearly a third of Canadian companies have had a formal strategy for at least five years, compared with 21 percent of U.S. companies. For companies without a formal strategy today, many are considering developing a strategy in the near future.

**Figure 11. Formal H&P strategy**

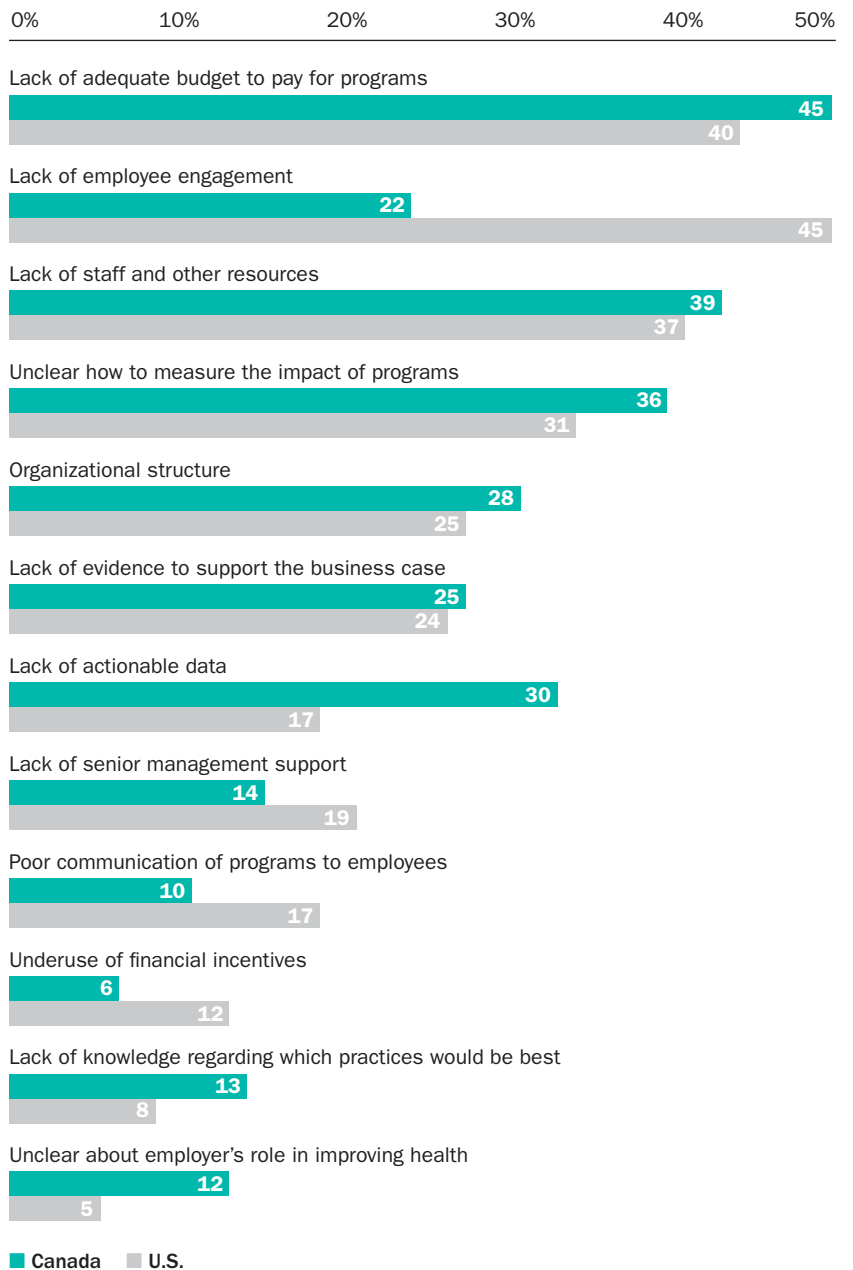


# Significant Barriers

Indicative of the current business climate, the lack of adequate budgets to pay for programs and insufficient staff are major challenges companies in both the United States and Canada face in effectively managing employee health and productivity. Companies in both countries also struggle with measuring program effectiveness, identifying uncertainty in how to measure the impact of programs, the lack of evidence to support the business case and the lack of actionable data.

However, several differences that are noteworthy exist between U.S. and Canadian organizations. Nearly half of U.S. companies report the lack of employee engagement (that is, low participation or interest in programs) as a top barrier to an effective health and productivity program. Conversely, only 22 percent of Canadian organizations report low program participation as a major challenge. This difference can likely be attributed to the lower percentage of Canadian companies that offer voluntary programs such as health risk appraisals, lifestyle behavior change and chronic condition management programs, the same programs that present participation challenges to U.S. companies. Canadian organizations are nearly twice as likely to cite the lack of actionable data as U.S. companies (30 percent versus 17 percent).

**Figure 12. Barriers to managing health and productivity**



Notes: Respondents were asked to identify "top three."

# Impact of the Economic Slowdown

Despite broad-based efforts to cut costs during the economic slowdown, more than half of companies in both the United States and Canada indicate no change or even a slight increase in their H&P budgets. If the anticipated response given the current business environment was, “We can’t afford to maintain or enhance our H&P programs,” a majority of survey participants say, “We can’t afford not to.” The data suggest H&P programs are here to stay and employers recognize their value.

Yet the sluggish economy is taking a toll on some companies, as 44 percent of U.S. organizations and 36 percent of Canadian organizations report a slight or significant decrease in their H&P budgets (**Figure 13**). Companies are also struggling with swelling use of their medical and pharmacy programs and employee assistance services, which could portend an uptick in health care trends for 2009 and might further challenge employers’ commitment to H&P programs going forward. Likewise, a number of companies report higher rates of unplanned and disability-related absences.

Despite the economic slowdown, organizations continue to show a strong commitment to health and productivity. More than two-thirds of companies have added or enhanced their existing programs or expect to do so in the next year. More than 75 percent of companies have already improved or plan to improve their H&P program communication and worksite programs. The majority of companies will continue with their planned program enhancements and vendor changes.

There is evidence that companies are becoming more selective buyers by offering only programs with evidence of a positive return on investment. All in all, few companies have eliminated or plan to eliminate their programs in the next year. Also, most plan to maintain the size of the staff dedicated to H&P programs, although nearly one-fifth of U.S. companies expect to reduce their staff. There has been a trend in recent years, particularly among U.S. companies, to consolidate health and productivity programs with the organization’s health plan or bundle services with a specialty vendor. Vendor simplification will likely continue in both the United States and Canada.

**Figure 13. Impact of sluggish economy on H&P programs**

	Country	Significant decrease	Slight decrease	No change	Slight increase	Significant increase	Don't know
Budget for health and productivity programs and initiatives	Canada	10%	26%	46%	3%	3%	13%
	U.S.	16%	28%	45%	6%	1%	5%
Employees' use of the health care plan	Canada	0%	1%	57%	22%	3%	16%
	U.S.	0%	7%	46%	29%	13%	5%
Employees' use of the EAP	Canada	0%	0%	46%	41%	4%	9%
	U.S.	0%	1%	37%	43%	4%	14%
Incidence of unplanned absences	Canada	1%	1%	41%	32%	1%	23%
	U.S.	0%	4%	34%	19%	3%	41%
Incidence of disability claims	Canada	0%	6%	43%	39%	6%	6%
	U.S.	0%	4%	47%	27%	3%	19%
Lost productivity due to reduced performance at work (i.e., presenteeism)	Canada	0%	0%	40%	19%	1%	39%
	U.S.	0%	3%	26%	17%	2%	52%

## H&P Effectiveness and the Economic Slowdown

Organizations with the most successful H&P strategies are committed to their H&P strategies and have been less likely to cut their budget for H&P initiatives during the current economic slowdown. In fact, low-effectiveness companies are 2.5 times more likely to indicate a significant decrease in their H&P budget than high-effectiveness companies (23 percent versus 9 percent).

High-effectiveness companies are also 50 percent more likely to indicate their organization has or plans to add/enhance its worksite H&P programs than low-effectiveness companies (90 percent versus 59 percent). Likewise, companies with the most effective programs are less likely than low-effectiveness companies to reduce lifestyle behavior change programs (8 percent versus 12 percent), delay/cancel program enhancements (12 percent versus 17 percent) or reduce internal staff dedicated to H&P programs (14 percent versus 22 percent).

**Figure 14. Strong commitment to H&P**

	U.S.			Canada		
	Have already taken action	Expect to take action	No action expected	Have already taken action	Expect to take action	No action expected
Add/enhance program communication	48%	45%	14%	39%	49%	19%
Add/enhance worksite programs	46%	26%	31%	45%	43%	17%
Add/enhance new health and productivity programs	44%	38%	23%	29%	42%	35%
Consolidate health and productivity programs with health plan	23%	20%	58%	6%	22%	72%
Offer only programs with evidence of positive return on investment (ROI)	19%	21%	61%	3%	16%	81%
Reduce internal staff dedicated to health benefits programs	17%	2%	81%	7%	1%	91%
Consolidate health and productivity programs with single vendor	13%	12%	74%	7%	4%	88%
Delay/cancel adding new health and productivity programs	12%	6%	82%	9%	10%	81%
Delay/cancel program enhancements	13%	5%	81%	4%	4%	91%
Delay/cancel planned vendor management changes	8%	6%	86%	4%	9%	87%
Reduce/eliminate health promotion programs	6%	2%	91%	4%	3%	93%
Reduce/eliminate lifestyle behavior change programs	6%	5%	89%	0%	0%	100%

## H&P Program Partners

Recent years have been marked by significant changes in company partnerships between health plans and specialty vendors for the administration of health and productivity programs. The trend has been toward consolidation of H&P programs with a single partner to improve coordination between programs and to promote a comprehensive data integration strategy. Our research shows that 43 percent of companies have already consolidated or plan to consolidate their H&P programs with their health plans, while 25 percent have already consolidated or plan to consolidate their programs with a specialty vendor.

Today, specialty vendors are used by the majority in the United States for stress management and disability management. In the United States, health plan services are more heavily used for chronic condition management, case management and Web-based health information tools, whereas in Canada, specialty

vendors and health plan services are used equally as much for these programs. In both countries, just as many organizations partner with their health plan providers as specialty vendors for their health risk appraisal programs and lifestyle behavior change programs. However, a big difference between the two countries exists in Canada, where a majority of respondents offer no health risk appraisals, chronic condition management or lifestyle behavior change programs. In Canada, a larger number of respondents use their health plan provider for disability management compared with U.S. companies, which tend to use specialty vendors. A notable finding is that managing absence is a program offered by only 22 percent of U.S. companies and 50 percent of Canadian companies. An opportunity exists for early intervention and better management of work loss. Family Medical Leave administration, a responsibility specific to U.S. employers, is almost exclusively managed by specialty vendors.

**Figure 15. H&P program partners**

	Country	Health plan – standard services	Health plan – optional services	Specialty vendors	Other	Don't offer
Health risk appraisal program	Canada	18%	1%	15%	10%	57%
	U.S.	29%	14%	38%	4%	19%
Lifestyle behavior change program	Canada	16%	1%	25%	7%	54%
	U.S.	24%	20%	40%	8%	21%
Chronic condition management	Canada	21%	3%	18%	9%	54%
	U.S.	42%	33%	20%	3%	10%
Case management	Canada	38%	9%	24%	18%	16%
	U.S.	64%	23%	11%	3%	5%
Stress or resilience management	Canada	21%	6%	31%	10%	38%
	U.S.	17%	10%	47%	10%	25%
Web-based health information tools	Canada	34%	4%	24%	15%	32%
	U.S.	49%	15%	31%	5%	17%
Total absence management	Canada	18%	3%	4%	29%	50%
	U.S.	2%	1%	12%	9%	78%
Disability management	Canada	47%	10%	28%	24%	6%
	U.S.	9%	3%	50%	21%	19%
Family Medical Leave administration outsourcing	Canada	–	–	–	–	–
	U.S.	3%	1%	31%	21%	44%

# Case Study: The Dow Chemical Company

## Demonstrating the Link Between Company Success and Employee Health

The Dow Chemical Company is at the forefront of innovation and development in H&P programs, earning the company a place in the “high-effectiveness” category in this year’s study.

The Dow Health Strategy is based on four pillars: prevention, quality and effectiveness, health care system management and advocacy. The strategy is collaboratively managed by Dow’s Health Services, HR Benefits and Talent Management, Government Relations and Public Affairs functions.

Creation of the corporate-wide Dow Health Strategy was sparked by management’s understanding of the business case. As Gary Billotti, leader for health and human performance, explains, “This was done by making the four following points: one, the total economic impact of health to the company was well in excess of \$700 million per year; two, it has been estimated that as much as one-third of all medical expenditures may be spent on unnecessary or inefficient care; three, between 30 percent and 50 percent of all health care conditions could be modified by preventive health interventions; and four, significant legislative and regulatory actions were pending that could significantly affect health care costs, particularly in the United States.

“The Dow Health Strategy is an investment. We truly focus on efforts that will improve health outcomes, realizing fully that these will then lead to the economic benefits of both reduced health care costs and improved employee engagement and performance. Our efforts are felt at the individual level as well as at the operational and corporate level,” says Billotti.

Andrew Liveris, Dow’s CEO, is leading the charge in reinforcing the importance of investing in human performance. Improvements in health and safety have been seen across all business units globally, a compelling example of how championing programs and measuring their impact help sustain health programs as an important business issue.

Over time, Dow’s H&P programs have broadened and the company has fine-tuned its ability to customize programs for specific regions. Cultural attributes can present some challenges to changing unhealthy behaviors, but Dow achieves success with a playbook emphasizing a consistent global strategy, enhanced through tailor-made local tactics.

Measurement is a hallmark of what makes Dow one of the most effective companies in the area of employee health and performance. Information, including health-related productivity gains, health risk

factors and benchmark comparisons, is collected and shared broadly. Also included are data on primary health risks identified for gradual long-term risk reduction. The company’s comprehensive approach to measurement links improvement in these health risks to the variable pay component of overall compensation for its Health Services staff.

Acknowledging that a healthy work environment affects employee health and effectiveness, along with business bottom lines, Dow monitors environmental influences through a Healthy Workplace Index. Needed changes, such as improving employees’ access to healthy food options, are identified and measured annually. Part of this index is a stress risk assessment.

Importantly, Dow takes a cross-functional approach to H&P program design, development and training. Seeing the problem and possible solutions from a number of different perspectives allows the team to penetrate deeply into the issue and make an impact. Monthly meetings are a core component.

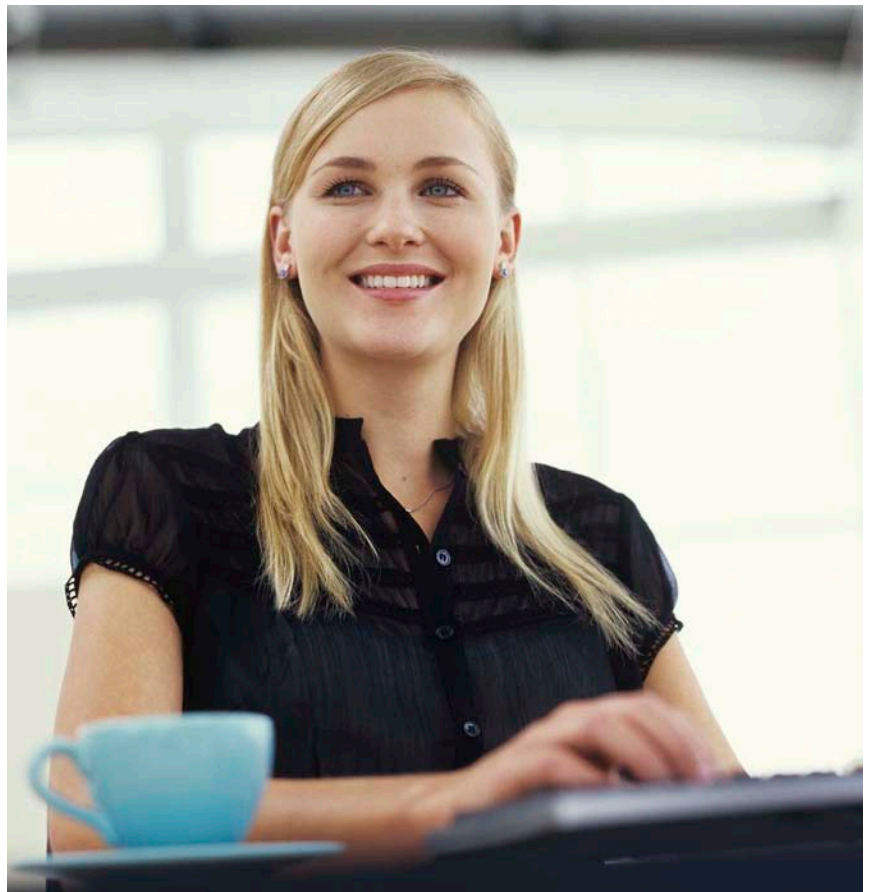
Dow has achieved some impressive results:

- In 2008, Dow Health Services case management efforts helped save more than 7,000 workdays that otherwise would have been lost due to injuries and illnesses. Using average wages as a proxy for productivity, the company realized savings of more than \$3 million in 2008, in the United States alone. Adding the projected savings from the reversal of “lost” productivity, the total was more than \$9 million.
- In the primary risk areas of tobacco use, physical inactivity and obesity, between 2004 and 2008 Dow reduced its percentage of employees at high risk by 15 percent and increased the number of employees at low risk by 18 percent.
- Approximately 85 percent of global employees and 75 percent of U.S. employees voluntarily participate in health assessments. Dow offers no direct financial incentive to participate.
- For active employees, health care costs increased by 2.4 percent in 2008 as opposed to a national benchmarked average of approximately 6.3 percent. By keeping this cost inflation below average, Dow saved an estimated \$11 million on U.S. health care costs.

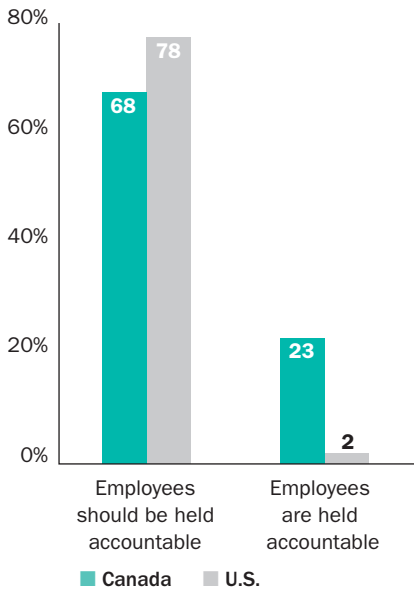
The company is also committed to community involvement and is excited by the progress and possibilities ahead for a number of its partnerships.

# Employee and Manager Accountability

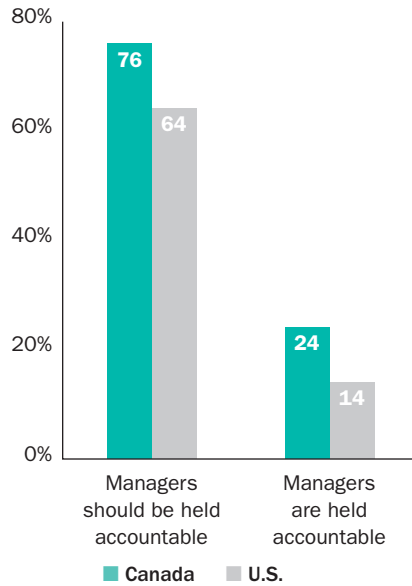
As our research has shown in years past, respondents reveal that employees and managers should be held accountable for improving, managing and maintaining employee health. This is evident in both the United States and Canada. However, the reality is that very few are held accountable. This is especially true in the United States, where only 2 percent of employees are held accountable and 14 percent of managers are held accountable (**Figures 16 and 17**). Employee and manager accountability is a bigger priority in Canadian companies. Nearly a quarter of Canadian companies indicate that their employees are held accountable for improving, managing and maintaining their health, and roughly the same share indicate that managers are held accountable for the workforce's overall productivity.



**Figure 16. Employee accountability for improving, managing and maintaining their health**



**Figure 17. Manager accountability for workforce's overall productivity**



# Stress: Impact, Actions and Effect

Under normal circumstances, a moderate level of stress can be an important motivator in the workplace and can help encourage employees to adapt to new situations, both of which are important in today's dynamic economy. But there is increasing evidence that organizations today have excessive levels of stress. If employees aren't able to cope, or if support is lacking, stress can harm the organization, through greater physical illness and/or psychological disorders. The economic environment has created greater uncertainty about job expectations, benefit reductions and job security. Likewise, reductions in staff have placed added pressure on surviving employees to do more with fewer resources and to work longer hours. The major changes that organizations have been making today are taking a toll on employees, particularly top-performing employees.

Many organizations recognize that stress is a major problem, and this is clearly an issue that transcends borders. In both the United States and Canada, excessive workloads, lack of work/life balance and

job loss concerns top the list as sources of stress within organizations. In fact, more than three-quarters of U.S. companies and nearly two-thirds of Canadian companies identify long hours and excessive workloads as a problem. Other significant sources of stress include technologies that extend the day, lack of teamwork and unclear or conflicting expectations. Fears about benefit reductions are an issue in the United States, but few Canadian organizations cite it as a concern, likely because of the safety net provided by a comprehensive government-sponsored health care program. A lack of tools and resources to do the job and a lack of confidence in senior leadership are less important sources of stress within organizations.

While organizations recognize the impact of stress on their business, few companies have taken actions to address it. In the United States, significant gaps exist, particularly regarding excessive workloads, technologies that expand the workday and inadequate staffing. Canadian organizations have been more responsive than U.S.

**Figure 18. Sources of stress at U.S. and Canadian organizations and actions taken to reduce them**

	U.S.		Canada	
	Sources of stress	Taking actions to reduce stress	Sources of stress	Taking actions to reduce stress
Excessive workload and/or long hours	78%	21%	64%	35%
Lack of work/life balance	68%	38%	53%	52%
Fears about job loss	67%	41%	49%	43%
Technologies that expand employee availability during nonworking hours	59%	24%	47%	38%
Lack of teamwork or inadequate staffing	51%	23%	45%	26%
Unclear or conflicting job expectations	46%	34%	58%	50%
Fears about benefits reduction	48%	32%	15%	29%
Lack of supervisor support, feedback and/or communication	34%	38%	51%	54%
Lack of technology, equipment and tools to do the job	25%	23%	29%	32%
Lack of confidence in senior leadership	26%	23%	23%	39%

Notes: Sources of stress show the percentage of respondents indicating "to a moderate extent," "to a great extent" and "to a very great extent."



companies in adopting programs and strategies to address their issues related to stress. Specifically, Canadian companies have been 40 percent more likely to take actions regarding work/life balance and are nearly 50 percent more likely to take actions regarding unclear or conflicting job expectations than their U.S. counterparts.

But are the actions companies are taking to reduce workplace stress having an impact? The reality is the majority of companies have reported mixed results. In fact, few companies find that their actions have had significant success. Instead, most find that their actions have had some positive impact, and a modest number indicate that their actions have had little to no impact. But Canadian companies indicate somewhat greater success, specifically regarding managing excessive workloads, work/life balance and technologies that expand the workday. As companies increasingly ask for more from their employees in the face of a much more competitive global economy, it is critical that companies identify solutions that work for their organizations in order to minimize the adverse impact of stress on business performance.

**Figure 19. Companies having limited impact in reducing stress**

	U.S.			Canada		
	Little or no positive impact	Some positive impact	Large positive impact	Little or no positive impact	Some positive impact	Large positive impact
Excessive workload and/or long hours	34%	63%	3%	21%	67%	13%
Lack of work/life balance	31%	62%	6%	16%	74%	10%
Fears about job loss	35%	62%	3%	27%	69%	4%
Technologies that expand employee availability during nonworking hours	50%	50%	0%	17%	75%	8%
Lack of teamwork or inadequate staffing	34%	61%	5%	33%	61%	6%
Unclear or conflicting job expectations	24%	69%	6%	7%	90%	3%
Fears about benefits reduction	37%	52%	11%	11%	78%	11%
Lack of supervisor support, feedback and/or communication	21%	71%	8%	14%	74%	11%
Lack of technology, equipment and tools to do the job	27%	57%	16%	18%	64%	18%
Lack of confidence in senior leadership	30%	61%	9%	23%	73%	5%

# Managing H&P Costs

Direct and indirect costs related to programs for wellness, absence management and disability totaled 21.7 percent of payroll in the United States and 12.6 percent in Canada.<sup>6</sup> Many of the costs have not changed significantly in the past two years. However, medical coverage as a percentage of payroll continues to climb in the United States, and there was an uptick in unplanned absences including incidental sick pay over the past two years. Canada experienced a significant drop in workers' compensation and short-term disability costs as a percentage of payroll. Combined costs of unplanned absences, disability and workers' compensation dropped from 5.4 percent in 2007 to 3.7 percent in 2009.

Reported health management investments in the United States increased to 0.7 percent of payroll — a 40 percent increase over the past two years. However, actual costs may be underreported, because many times they are bundled in medical coverage costs, making them difficult to track.



**Figure 20. H&P costs as a percentage of payroll**

		U.S.			Canada	
		2005	2007	2009	2007	2009
Direct Costs	Medical coverage	10.0	10.9	11.2	-	4.0
	Workers' compensation	1.2	1.0	1.0	1.3	0.7
	Unplanned absence including incidental sick pay	1.9	1.0	2.0	1.2	1.0
	Short-term disability	1.0	1.0	1.0	1.8	1.0
	Long-term disability	0.5	0.5	0.5	1.1	1.0
Indirect Costs	Health management programs including financial incentives	1.0	0.5	0.7	-	0.4
	Overtime	3.4	3.3	2.8	-	2.8
	Workstation modification/job accommodation	1.0	1.0	0.5	-	0.5
	Replacement workers	2.0	2.0	2.0	-	1.2
<b>Total</b>		<b>22.0%</b>	<b>21.2%</b>	<b>21.7%</b>	<b>-</b>	<b>12.6%</b>

<sup>6</sup> Total H&P costs as a percentage of payroll are not comparable between the United States and Canada due to health care costs being delivered through a national health system in Canada, compared with the employer-based system in the United States.

# The Drivers of Short-Term and Long-Term Disability

Overall, the leading causes of disability are musculoskeletal problems, mental health and cancer (**Figure 21**). Mental health issues are a much more significant cause of disability in Canada, whereas the United States reports bigger challenges with cancer and cardiovascular issues. The high rates of disability attributed to depression, anxiety and stress may be the result of increasing productivity demands and the stressors that are part of today's knowledge-based economy. It may also be linked to companies' penchant for programs targeting the prevention and treatment of physical diseases, instead of programs that focus on mental health issues.

The gap between how respondents in Canada and the United States account for mental health issues as a disabling condition may be attributable to Canada's being more proactive in reducing stigma in the workplace. Hence, there is a more open declaration of the disabling cause rather than it being treated as a disabling symptom. Maternity is not considered a disability in Canada, which may explain the disparity between the countries in the "other" category, which includes maternity.

**Figure 21. The most frequent disabling conditions**

	STD		LTD	
	U.S.	Canada	U.S.	Canada
Musculoskeletal/Back	75%	76%	66%	52%
Mental health (e.g., depression/anxiety/stress)	40%	78%	29%	67%
Cancer	41%	29%	75%	65%
Cardiovascular	33%	18%	52%	33%
Accident	28%	37%	19%	21%
Other (e.g., maternity)	39%	18%	8%	10%
Gastrointestinal	12%	12%	5%	6%
Respiratory	8%	10%	9%	4%
Substance abuse	4%	4%	1%	0%

Notes: Respondents were asked to identify the "top three" most frequent disabling conditions.

# Managing Lifestyle Risk Factors

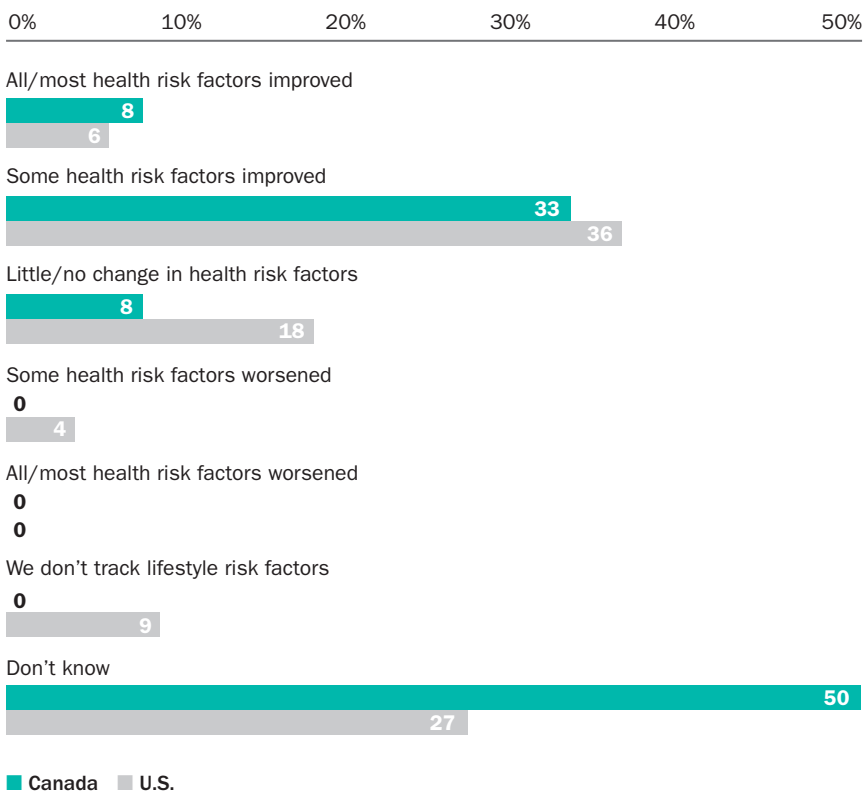
Research has shown that health risk appraisals (HRAs) are useful for measuring and tracking individual behaviors that are key drivers of health care costs, absence and reduced workforce productivity. When integrated as part of the overall H&P strategy, HRAs can be a valuable means of identifying potential high-cost claimants and targeting individual participation in lifestyle behavior change and wellness programs that encourage healthier lifestyles.

Three-quarters of companies in the United States use health risk appraisals with their workforce to measure the health risks within their populations. More than half of those that offer an HRA have been doing so for at least the past three years, and nearly one-third have been doing so for five years or longer. Conversely, only one-quarter of Canadian companies offer HRAs to their populations, and of those that do, the majority have made them available only within the past two years.

Many companies offering HRAs have been successful at reducing their populations' health risks. The majority of those that offer an HRA have seen modest improvement in health risks in recent years. Many of these companies also offer lifestyle behavior change, wellness and chronic disease management programs to help employees manage their lifestyle risks and physical and mental health conditions. However, despite offering an HRA, 27 percent of companies in the United States and 50 percent of companies in Canada are unaware of how their lifestyle factors have changed in recent years, suggesting an important measure of health is being underutilized (**Figure 22**).



**Figure 22. The change in health risk factors**



Notes: Includes companies that currently offer an HRA.

# Case Study: Alliance Data

## Making All Associates Champions for a Healthy Workplace

Also scoring at the top of this year's high-effectiveness study is Alliance Data, the Dallas-based provider of retail credit card services, marketing support and loyalty programs. Alliance Data uses a dynamic, workplace-based program intended to make every associate a champion for health and wellness and to boost productivity.

Introduced in 2004, healthyAlliance reflects the company's commitment to associates' health. The program — anchored firmly in Alliance Data's core values of working together, giving back to the community and having fun — includes a broad range of interventions, such as support for weight management and smoking cessation, and an imaginative palette of on-site tools, such as vending machines with healthful foods, ergonomically correct workstations, a fitness center, weekly exercise classes and periodic "Lunch and Learn" sessions dedicated to specific health topics.

One of the key challenges in designing the program was the company's ever-changing associate population (attributable to high turnover and a high level of merger and acquisition activity). The company also has very diverse business units, with corresponding differences in job functions, daily routines and salaries, and its associates are spread across urban, rural and suburban locations.

"We envisioned a program that would allow each individual to achieve optimal health, but certainly that was not going to be a one-size-fits-all approach," says Calvin Hilton, vice president of Benefits and HR Services.

Because program participation would ultimately determine success, Alliance Data created a program that associates want to participate in — and have a reason to participate in. To make the program appealing, associates can select the wellness activities they want from a range of educational modules or health challenges and win points upon completion. There are also opportunities to participate in exercise activities tied to a charitable event. To make the program rewarding, those who earn a sufficient number of points receive a discount on the medical premium.

In the program's first year, completion of a health risk assessment was the only requirement for earning the reward. In subsequent years, Alliance Data added wellness initiatives and increased the number of points required to receive the incentive.

Retooling the program annually is consistent with the company's culture of continuous improvement and active involvement. "We don't want associates to get too used to the status quo — we have new choices and new expectations for them every year. We think vitality is key to the program's success. Participation rates are very high and stable. In our lowest year, it was 86 percent and our highest was 95 percent," explains Hilton.

Alliance Data's efforts to engage associates as health champions have delivered impressive results:

- As a member of National Data Cooperative (NDC), Alliance Data was able to benchmark its claims experience. The analysis demonstrated that Alliance Data's claims expenses for later-stage, therapeutic treatment of preventable conditions began to decline the year after its healthyAlliance program was implemented and continued to decline for the following three years of the study.
- Furthermore, Alliance Data saw a greater decline in therapeutic expenses than all of the 21 comparison companies in the NDC study — only two companies were even close to matching Alliance Data.
- On average, the number of days missed from work due to illness or injury in the previous 12 months decreased 10.3 percent, from 2.34 days in 2004 to 2.10 days in 2007. The average annual cost for absence for one employee dropped by \$60.25.
- On average, productivity loss on the job due to health problems decreased 14.6 percent, from 8 percent in 2004 to 6.83 percent in 2007. The average annual cost for productivity loss for one employee dropped by nearly 15 percent (\$5,222 versus \$4,458).

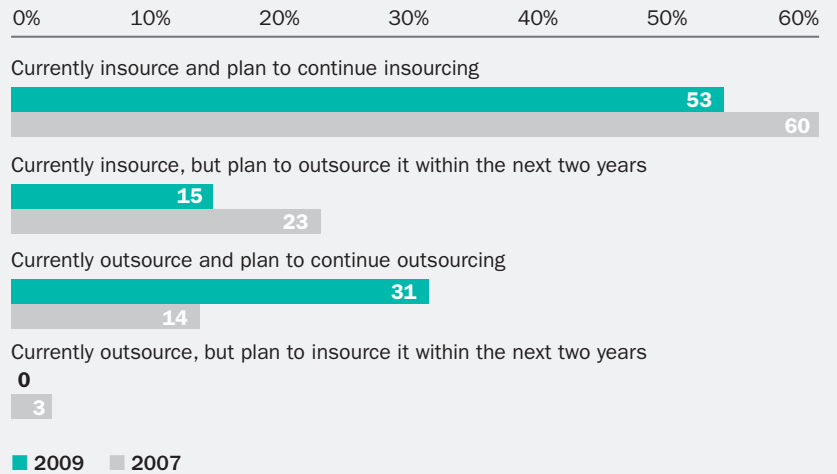
Further acknowledgment that Alliance Data is moving the needle in the right direction came with the news that the program won The Health Project's 2009 C. Everett Koop National Health Award. HealthyAlliance was one of only three health improvement programs in the country to be recognized by The Health Project for strong documentation of both health improvement and cost savings.

## Family Medical Leave in the United States

Similar to our 2007 research, most employers (77 percent) characterize the administrative burden of Family Medical Leave (FML) as at least “somewhat” of a problem, while nearly a third considers it a “significant” problem. Employers cited intermittent leave (69 percent) and administrative complexity (58 percent) most often when asked which aspects of FML were the most burdensome.

In general, FML is difficult to manage because it is driven by multiple factors, such as personal illness and family issues, expanded regulatory requirements and complex administrative rules governed by strict federal, state and local regulations. The trend has been toward greater outsourcing of the administration of FML. In fact, the percentage of companies outsourcing has more than doubled over the past two years. However, half of companies currently insource the administration of FML and will continue to do so over the next two years.

**Figure 23. Administration of FML in the U.S. and expected changes over the next two years**

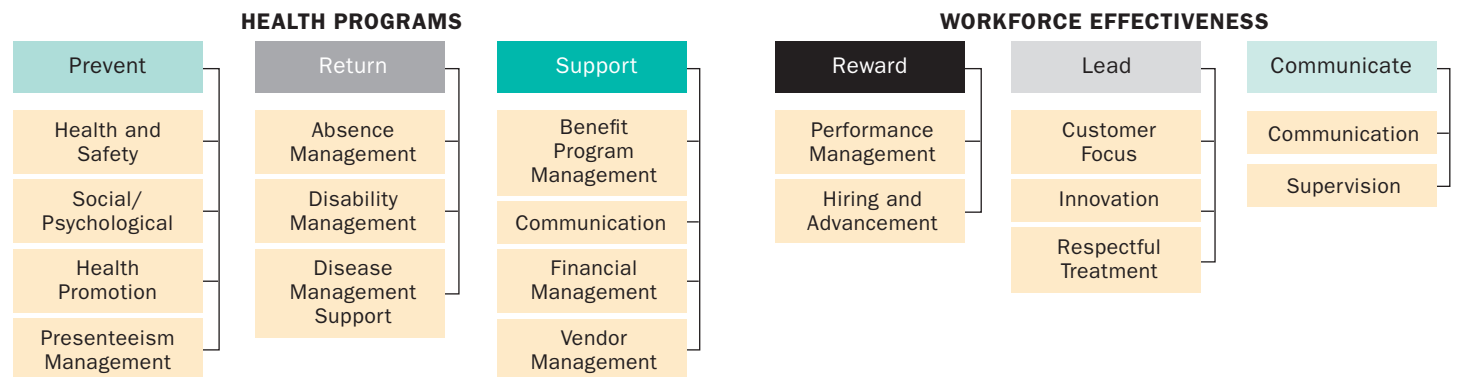


## Designing an Effective H&P Framework<sup>7</sup>

This research has identified six pillars as the foundation for an effective H&P program, as shown in **Figure 24**. We have examined the various aspects of health programs that characterize the three pillars of prevention, support and return-to-work initiatives. But the key to an effective H&P program extends

beyond the physical and mental health of employees. It is also about creating an organizational environment, culture and interpersonal relationships that connect employees to the mission and goals of the organization. Companies that create a compelling enterprise-wide employment deal through their

**Figure 24. Six pillars of an effective H&P framework**



<sup>7</sup> Results in this section combine responses for U.S. and Canadian organizations.

reward structure, leadership and communication cultivate a highly engaged and effective workforce. Companies that recognize, support and develop integrated strategies for both their health programs and workforce effectiveness policies and practices can reap the rewards through lower costs, improved productivity and, ultimately, superior financial performance.

Using the responses to the 2009/2010 Staying@Work Survey, we developed the H&P Scorecard to diagnose the health of responding organizations. The scorecard is based on a compilation of the practices and programs under the six pillars of health programs and workforce effectiveness and measures the impact on workforce productivity of the respondents' HR policies and health care programs and practices.

A healthy organization is one that has established a balance and understands the link between its programs that support and encourage greater

workforce health and the policies and practices that promote workforce effectiveness. Its workforce is engaged, productive and healthy. The optimal balance between these two factors is unique to each organization, reflecting the distinctive attributes of its industry, business plan, HR strategy and workforce composition.

The scorecard results show that the participants in the 2009/2010 Staying@Work Survey have yet to adopt a number of best practices within both health programs and workforce effectiveness. **Figure 26** positions the combined score for all North American respondents on the H&P Matrix Scorecard. High-effectiveness companies lead the way through the adoption of best practices regarding health programs that support workforce effectiveness. Overall, these results suggest that North American companies can considerably improve overall the health of their population, which will position them to compete more effectively in a global economy.

**Figure 25. Scoring participating organizations against the H&P framework**

Health programs	Score	Workforce effectiveness	Score
Prevent	<b>1.67</b>	Reward	<b>2.42</b>
Return	<b>1.54</b>	Lead	<b>3.65</b>
Support	<b>1.42</b>	Communicate	<b>2.34</b>
Overall Score	<b>1.53</b>	Overall Score	<b>2.83</b>

**Figure 26. North American H&P matrix scorecard for respondents**



# Health Programs

## 1) Prevent

Organizations can no longer wait for their employees to get sick before they get involved. A core pillar to an effective health and productivity program is a focus on keeping healthy people healthy. Prevention is about providing employees with the tools, resources and incentives to live a healthy and productive lifestyle as well as providing support to employees when needed to enable them to cope with personal or family issues. Identifying problems upstream helps both to lower the cost of disease and enhance the productivity of the workforce.

The most effective H&P programs do much more than simply offer health and wellness programs. Leading companies are focused on getting to the root causes of health care cost increases and productivity erosion by assessing the impact their programs have on health improvement, behavioral change and risk reduction. Organizations with highly effective H&P programs regularly measure employee behavior change, health risk reduction, presenteeism and employee biometrics across their workforce and use national benchmarks to provide a basis for future company interventions. To understand the impact of an individual's health status, the most effective H&P programs are more likely to integrate these metrics with their health plan data.

Health and wellness are more than an individual commitment. The most effective companies incorporate employee health and productivity into the organization's goals and mission. Critical to carrying out this mission is the active involvement of senior managers. The most effective companies train managers in the early identification of reduced performance at work. Also, these companies educate management and the remainder of the workforce on the stigma associated with mental health issues.

**Figure 27. Prevent**



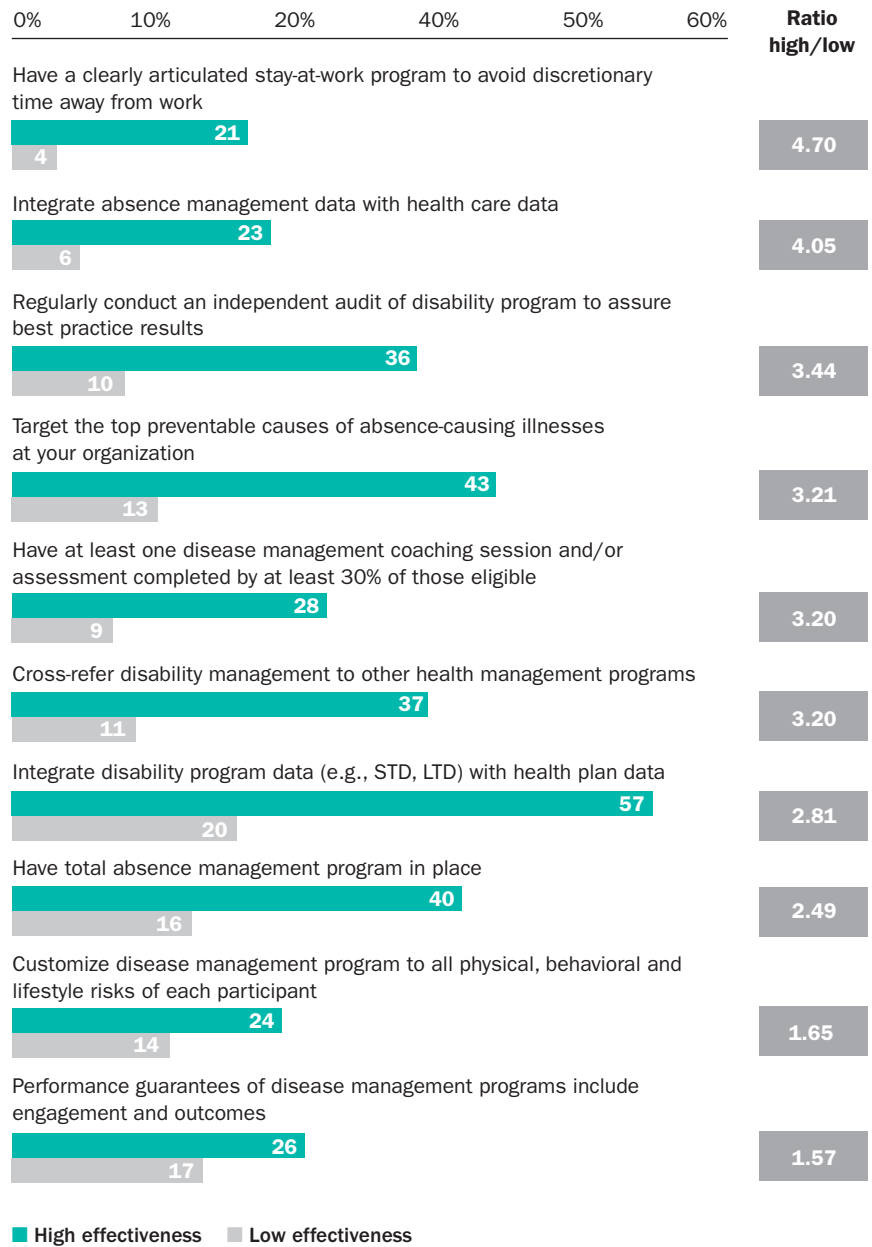
## 2) Return

The cost of employee absence due to physical or mental health issues is a significant source of productivity loss for companies. The most effective health and productivity programs have in place a comprehensive approach to managing time away from the job and have consistent policies that govern return to work following incidental, personal, disability or work-related absences. This begins with a clearly articulated stay-at-work program to avoid discretionary time away from work. Leading companies also have a comprehensive strategy to measure work loss across the organization, as they are more than twice as likely to have a total absence management program in place today.

Understanding the leading causes of absence is vital to determining the most appropriate action plans to implement. Companies with the most effective H&P programs are most likely to integrate their absence management and disability data with health plan data and use that information to target the top preventable absence-causing illnesses. Actively managing the disability program through regular audits and cross-referring the disability program to other health management programs are measures also most associated with high-effectiveness companies.

For employees managing chronic conditions, it is critical that companies be committed to boosting engagement in their disease management programs. Highly effective companies are more than three times as likely to have at least 30 percent of eligible employees complete a disease management coaching session. Likewise, these companies are more than 50 percent more likely to have performance guarantees based on engagement and outcomes.

**Figure 28. Return**



## Senior Leadership Support — By Dee W. Edington<sup>8</sup>

Corporate leaders have increasingly recognized that the health of the workforce is inextricably linked to the profitability of the company. Deteriorating health has become a board issue for most employers due to the burden of illness and its impact on employee productivity. However, the current model of health care is fundamentally flawed. Too often health care is focused on sickness prevention and treating people after they get sick. This is both ineffective and economically dysfunctional.

It is time to redefine health and move to a higher level of thinking by adding a “promotion-of-wellness” component to our overall health management system. The cost of waiting for people to get sick far exceeds the cost of helping healthy people stay healthy. But it’s more than about creating individual winners. To bring about this change, we need to create a workplace environment that rewards both individuals and organizations.

Only senior leaders can productively direct efforts in organizations to foster the culture and commitment required to address, support and sustain a healthy and productive workplace. On balance, management controls the money, resources, employees’ time, access to space, policies affecting health, and to a large degree the culture of the organization. The unique role of leadership is to establish the value system in the organization, set strategic goals, align efforts within the organization to achieve those goals, provide resources for activities to be undertaken, remove obstacles, and advance a commitment to known practices that will promote a healthy and productive workplace.

Our research shows that companies with the most effective H&P programs exhibit strong support of senior leadership. Specifically, these organizations are much more likely to have senior management volunteer to be health champions, be involved in regular communication and support flexible scheduling to employee participation in healthy lifestyle programs. A critical success factor is that companies have adequate budget to support their H&P initiatives. The most effective companies also are committed to measuring their success by providing senior leaders with regular reports on H&P program utilization.

No company will be successful in a globally competitive world with anything but healthy and productive people. Senior leaders who embrace the new health care model that positions wellness first and integrates this strategy into the organization’s environment and culture will create a competitive advantage in the marketplace.

<sup>8</sup> Dee Edington is the director of the University of Michigan Health Management Research Center, a professor in the School of Kinesiology at the University of Michigan and a research scientist in the School of Public Health. For more information on the role of senior management in developing a healthy and productive workplace and workforce, see Edington, Dee W., Zero Trends: Health as a Serious Economic Strategy, Health Management Research Center, University of Michigan, 2009.

**Figure 29. Senior leadership support**



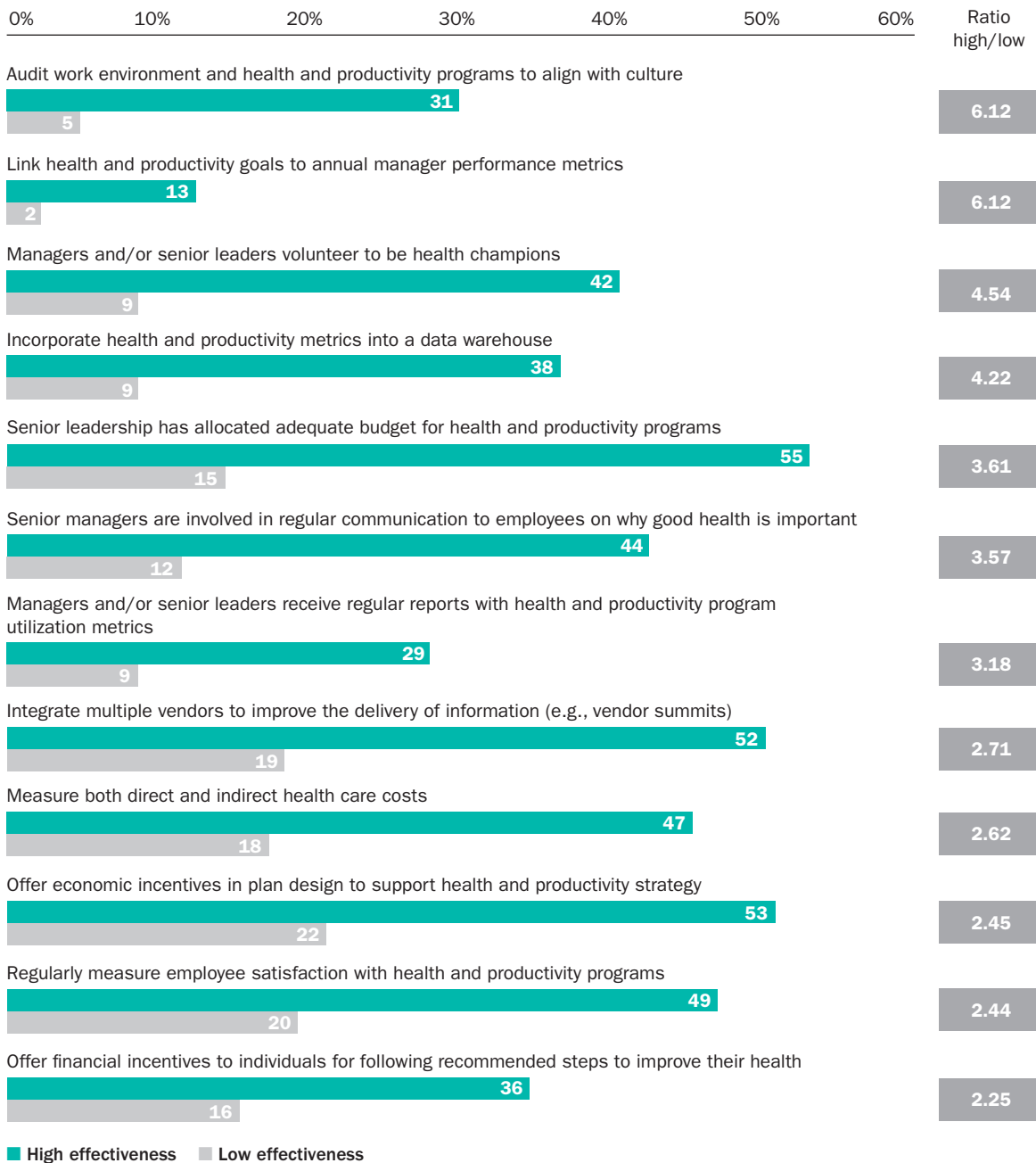
### 3) Support

Developing an effective H&P program that supports and cultivates a healthy and productive workforce begins with the commitment of senior management. Senior managers at companies with the most effective H&P programs are actively involved in regular communication on the importance of a healthy lifestyle and volunteer to be health champions. Support for a healthy and productive workforce

is also reflected by companies with the most successful programs devoting adequate budgets to their H&P programs.

Boosting employee engagement is also critical to a successful H&P program. Companies with the most effective H&P programs use financial incentives and structure their plan design to boost program

**Figure 30. Support**



■ High effectiveness   ■ Low effectiveness

participation. This includes the use of credits and/or account contributions as rewards for following recommended steps to improving one's health and for participating in health/disease management activities.

Effective H&P programs also establish a strong foundation in their H&P data by measuring direct and indirect costs and by incorporating their H&P data into a data warehouse. To establish a culture of accountability, the most successful H&P programs provide senior leadership with regular reports about the program and link H&P goals to annual manager performance metrics. These companies also measure the value of their programs through regular assessments of employee satisfaction and by auditing the alignment between their H&P programs and their work environment.

Organizations with the most effective H&P programs also develop a strong strategic partnership with external providers. These organizations work to enhance internal collaboration between multiple vendors by holding vendor summits, including all vendors in strategic discussions and educating health plans and carriers about the employee work environment and worksite health initiatives.



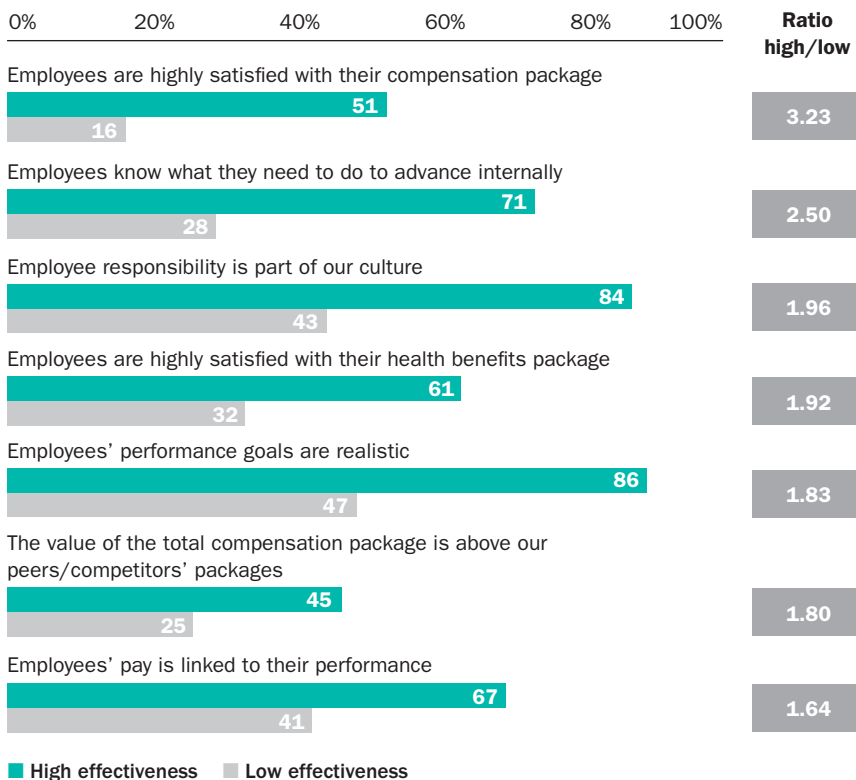
# Workforce Effectiveness

## 1) Reward

Watson Wyatt's Global WorkAttitudes and Strategic Rewards research show that top-performing companies actively create a compelling enterprise-wide employment deal that is consistent with the total rewards philosophy of the company.<sup>9</sup> The deal is aligned with the workforce goal of attracting and retaining people with the competencies the enterprise needs to execute its business strategy. An essential component of the employee value proposition, or EVP, is that employees clearly understand what the company expects of them and what they can expect in return.

When HR leaders are asked about their employee's views about their rewards practices, companies with the most effective H&P programs establish a compensation package with which employees are highly satisfied and offer benefits that provide

**Figure 31. Reward**



<sup>9</sup> See Watson Wyatt's 2009/2010 WorkAttitudes Survey Report, "Driving Business Results Through Continuous Engagement," and the 2009/2010 U.S. Strategic Rewards Report, "Looking Toward Recovery: Focusing on Talent and Rewards."

security to employees and their families. Regular communication is essential to strengthening employees' understanding of the value of the deal and what differentiates it from competitors' packages.

Organizations with the most successful H&P programs are also most likely to indicate that employees know what they need to do to advance and that the performance goals established are realistic. If employees fail to live up to their responsibilities, the most successful companies have an established culture that makes employees accountable. This is reinforced through a total rewards philosophy that differentiates pay according to performance.

## 2) Lead

While an organization's EVP encompasses the collective array of programs the organization offers in exchange for employment, it is about much more than monetary rewards. Other important aspects of the deal include the organization's brand, values, culture and leadership. Above all, the most successful companies create a culture in which employees have a voice in most aspects of the business and are empowered to play a leading role in the direction of the business.

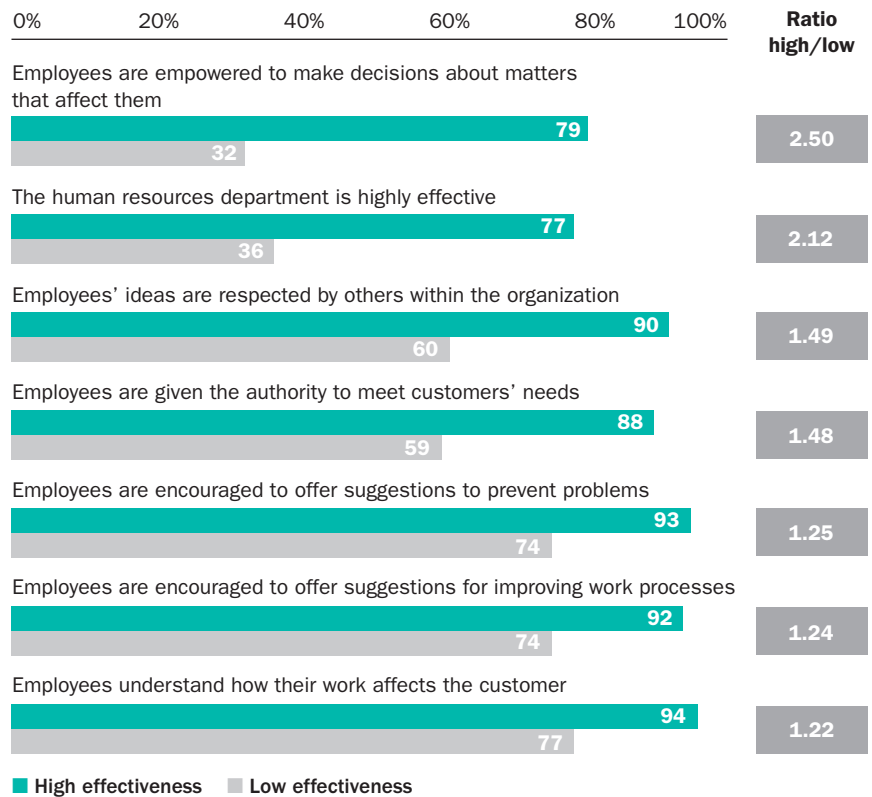
As shown in **Figure 32**, companies with the most effective H&P programs are most likely to have an organization that respects their employees' ideas, especially for ways to improve. These companies encourage employees to offer suggestions to prevent problems and to improve work processes. Employees' understanding of how their work affects the customer is an important measure of success. But beyond promoting such understanding, a key differentiator of companies with effective H&P programs is that employees are also given the authority to meet their customers' needs.

## 3) Communicate

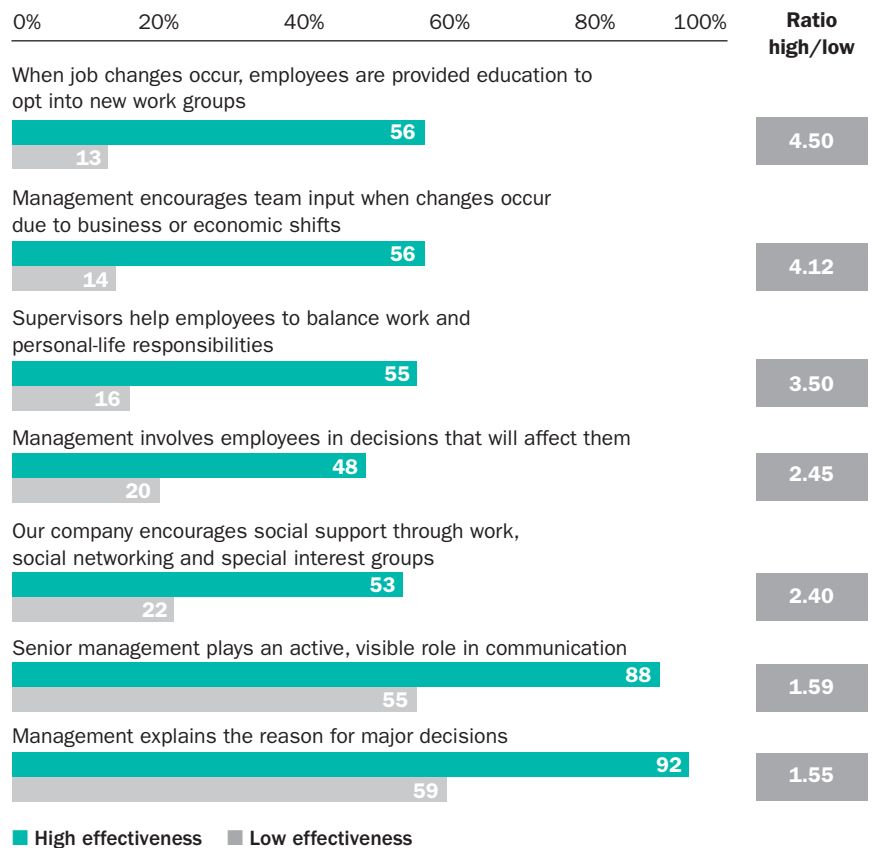
Employees look to senior leaders for insight into how the company is performing currently and its prospects for the future. Trust and confidence that management will follow through and stand behind its promises are highest when senior leaders clearly communicate company direction, are active and visible and behave consistently with the core values of the organization. This is never more important than when times are difficult, when people want and need more direction from their leaders.

The companies with the most effective H&P programs have senior managers take an active role in communicating with employees and explaining

**Figure 32. Lead**



**Figure 33. Communicate**



the reasons for major decisions. When big decisions are made, management at the most successful companies involves employees in these decisions, encourages team input and takes the lead in explaining the reason for the decisions. With many companies struggling with the challenges of workplace stress, managers at these companies also take the lead in encouraging employees to maintain a balance between work and personal-life responsibilities. Companies with the most effective H&P programs also encourage and support open and regular collaboration between employees through support work groups, social networking and special interest groups.

## Conclusion

In light of the global economic downturn, which is challenging every employer, the next few years will require companies to cultivate a workforce that is healthy, productive and engaged in order to thrive in an increasingly global and competitive business environment. Developing an effective health and productivity program is a foundation for success and transcends country borders. This research shows that companies with successful H&P programs are linked to improved business outcomes, including reductions in lost time, improved employee effectiveness, lower medical trends and, ultimately, superior financial returns. While there is no one set of programs that is right for all companies, organizations with successful H&P programs adhere to a number of best practices:

1. Make H&P programs a part of the broader culture by connecting them to organizational goals, promoting a healthy work environment and benchmarking their programs externally.

2. Take action against stress by working to reduce the stigma associated with mental health issues and seek ways to help the workforce manage excessive workloads and balance work/life issues.
3. Integrate data across programs, regularly measure program performance and achieve higher levels of engagement in their H&P programs.
4. Regularly analyze data to identify opportunities, design H&P programs and make H&P policy decisions.
5. Simplify H&P programs, integrate delivery and consolidate program vendors to improve utilization.
6. Offer a variety of incentives to promote the company's H&P strategy, especially active participation in H&P programs.
7. Engage the support of their senior leaders as visible champions and provide them adequate H&P budgetary support.
8. As part of the company's culture, help employees to understand business decisions and to take responsibility.
9. Involve employees in organizational decisions and communicate those decisions to employees effectively.
10. Work to ensure that employees know their compensation and benefits are competitive for their industry and skills. This contributes to higher levels of satisfaction.

Employers that embrace these strategies will be on a path to improve the health and productivity of the workforce and workplace and boost business performance.

## About the National Business Group on Health

The National Business Group on Health is the nation's only nonprofit, membership organization of large employers devoted exclusively to finding innovative and forward-thinking solutions to their most important health care and related benefits issues. The NBGH identifies and shares best practices in health benefits, disability, health and productivity, related paid time off and work/life balance issues. NBGH members provide health coverage for more than 50 million U.S. workers, retirees and their families. For more information about the NBGH, visit [www.businessgrouphealth.org](http://www.businessgrouphealth.org).

## About Towers Watson

Towers Watson is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. With 14,000 associates around the world, we offer solutions in the areas of employee benefits, talent management, rewards, and risk and capital management.

Originally published by Watson Wyatt Worldwide.

Copyright © 2010 Towers Watson. All rights reserved.  
TW-NA-2010-16703

[towerswatson.com](http://towerswatson.com)

TOWERS WATSON 