

2013/2014 Staying@Work Report

U.S. Executive Summary

Introduction

U.S. organizations have long looked to health and productivity programs as one way to keep workers healthier and stem the tide of higher health care costs. More recently, the adoption of health care reform and its fast-approaching excise tax have created a new urgency to control costs. In response, organizations are developing new strategies, considering many new options (e.g., provider incentives) and retaining a keen focus on improving workers' health.

Yet when it comes to their health and productivity strategy, our 2013 Staying@Work Survey results show that U.S. employers are taking to heart the lessons that "more" health programs without an articulated strategy may not be an effective approach to affect behavior change. Instead, most now point to establishing a culture of health as their top priority and an essential factor for success. Employers are recognizing that health is a total business issue and a lack of it affects workforce performance. Linking the health, well-being and worker-effectiveness strategy to the employee value proposition is key to getting the most of the investment in the program and, most importantly, to effectively driving sustained healthy behaviors.

Moreover, they are looking to differentiate their programs from competitors, customize approaches for key workforce segments and use analytics to gauge the effectiveness of their programs. In this way, they hope to address their cost challenges, and at the same time effectively respond to employees' lifestyle-risk issues, especially stress, obesity and lack of physical activity.

Interestingly, the approach of U.S. companies is echoed throughout the rest of the world. While cost may be less of a driver outside the U.S., nearly all of the countries that participated in this first-ever global version of Staying@Work* rank the same three lifestyle risks at the head of the pack. In addition, the vast majority cite workplace culture and worker engagement as the highest priorities for their health and workforce-effectiveness initiatives.

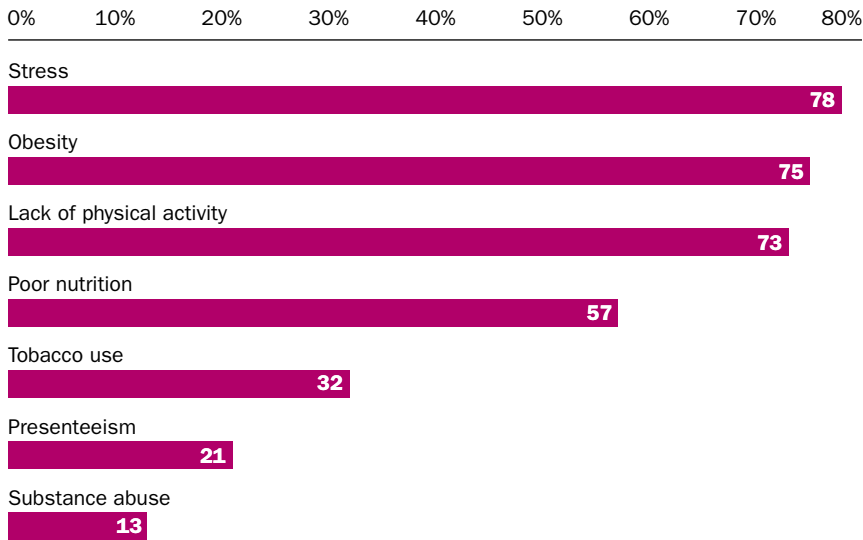
*Brazil, Canada, China, Europe, India, Mexico, Singapore, the U.S. and other countries in the Asia Pacific region

“A health and productivity program is a combination of medical benefits, health and wellness management programs, absence and disability management, and occupational health initiatives.”

A Closer Look at the Issues

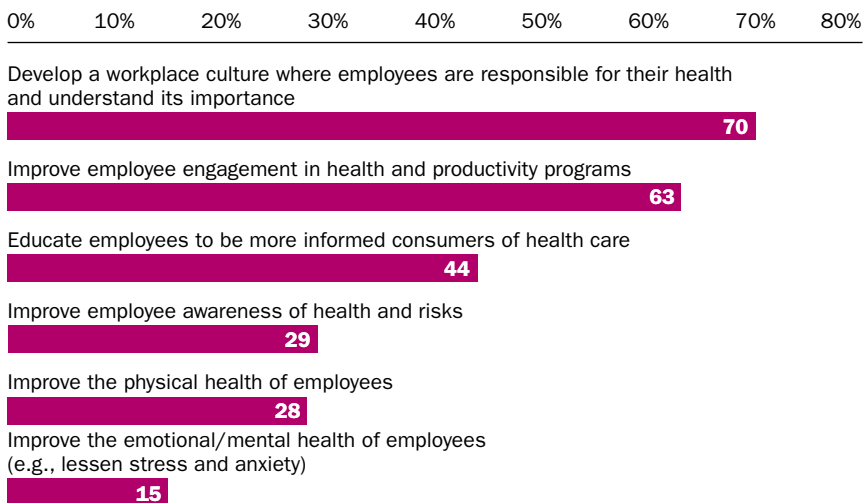
U.S. employers are concerned that lifestyle risks are widespread throughout their workforce, resulting in increased employee illness, rising medical costs, and lost productivity due to unplanned absence and decreased efficiency while on the job. Stress, obesity and lack of physical activity are the biggest challenges identified by employers (Figure 1).

Figure 1. Lifestyle risk factors that are a workforce issue in the U.S.



Note: Companies responding 5, 6 or 7 on a 7-point scale

Figure 2. Top priorities of health and productivity programs



Employers also understand the value of health, well-being and worker-effectiveness programs to their overall organizational health strategy and largely view them as critical to helping the organization address employee health issues.

- 49% of U.S. respondents say these programs are essential, and 42% say they play a moderate role in their organizational health strategy.
- 84% plan to increase support for these programs over the next two years, and 17% expect to significantly increase support for them.
- Seven in 10 companies identify developing a workplace culture where employees are responsible for their health, and understand its importance as a top priority of their health and productivity program (Figure 2).

Improving participation in health and productivity programs, and educating employees to be better consumers of health care are also high priorities in the U.S., a clear reflection of employers' ongoing concerns over the high cost of health care. In fact, U.S. companies are the only group to identify educating employees as a top five priority.

But despite the best efforts of employers, actual participation in these programs is low. On average, participation is nearly 50% (for health-assessment appraisals), and is well below 20% for other programs such as lifestyle change and health management programs (e.g., weight management, tobacco-cessation programs).*

What's causing the lack of interest? The survey shows that the following factors contribute to the lack of employee engagement and point the way to a strategy for change.

*Participation rates are based on the percentage of employees who qualify or are recommended to participate in lifestyle behavior change and health management programs.

Key Takeaway

A large percentage of employers believe that lifestyle risk factors are a significant issue for their workforce.

Lack of a Clear, Articulated Strategy

Half (50%) of respondents say they offer various employee programs but do not have a formally articulated health and productivity strategy. However, they do recognize the value of a strategy, and 94% say they plan to have an articulated health and productivity strategy with stated objectives in the next three years.

What's more, only 30% of respondents say they have effectively communicated a strategy and value proposition, and delivered on its promises (although 80% plan to do so in the next three years).

Lack of a Strategy Poses Several Problems

Offering individual program elements based on low cost, popularity or longevity (“we’ve always offered it”) can be costly and inefficient.

Perhaps more important, lack of a clear strategy that is connected to the employee value proposition makes it difficult for employees to understand the purpose of the program and their role in it, which in turn can result in low engagement and participation levels.

Lack of Employee Accountability

Employee accountability is also a key issue. While 82% of respondents believe employees should be held accountable for improving, managing and

maintaining their health, only 10% actually take steps to do so. This could be based on a number of factors, including:

- Concerns about employee sensitivities and backlash
- Concerns that the programs may not be effective
- Legal constraints

However, the use of penalties, “gateway” incentives and incentive designs based on health outcomes are becoming more and more common, despite these concerns. But there is growing recognition that extrinsic incentives may not be enough: There is a shift to a focus on the intrinsic values of health as a more sustainable health goal versus rewards and a focus on outcomes only.

Without a clearly communicated strategy, it's difficult for employees to become engaged in their own health and well-being, and understand how their employer's programs can help them achieve their health goals.

Key Takeaway

Employers believe in holding employees accountable for their health and well-being, but few actually do so.

“Despite reluctance on tangible approaches to employee accountability, one employer lever that is growing in popularity is the increase in the use of penalties.”

“There is a disconnect in the perception of workplace stress. Employers believe it is primarily lack of work/life balance; Towers Watson’s Global Benefits Attitudes Survey suggests stress comes mainly from lack of guidance and support from managers, and concerns over low pay or low pay increases.”

Efficient Programs, but Not Effective

Respondents spent, on average, nearly 2% of payroll in 2013 on health management programs, financial incentives, job accommodations and onsite health clinics. And while they use a number of innovative tactics to improve employee health and well-being, and are investing in the programs, low usage rates show that the programs are not working as well as they could.

A different approach — one that combines efficiency with effectiveness — is called for. And it starts by developing a culture of health and wellness throughout the organization. This means:

- Developing a strategy that recognizes the needs and desires of the employee population

- Tailoring programs to individuals and specific demographic groups
- Communicating to and incentivizing employees to change behavior
- Consistently measuring the effectiveness of the strategy and individual programs, and making changes that evolve with the progress of the workforce

Key Takeaway

U.S. employers’ programs are more efficient than effective, and steps to address workplace stress may not be focused on the right issues.

Limited Use of Promising Provider Strategies

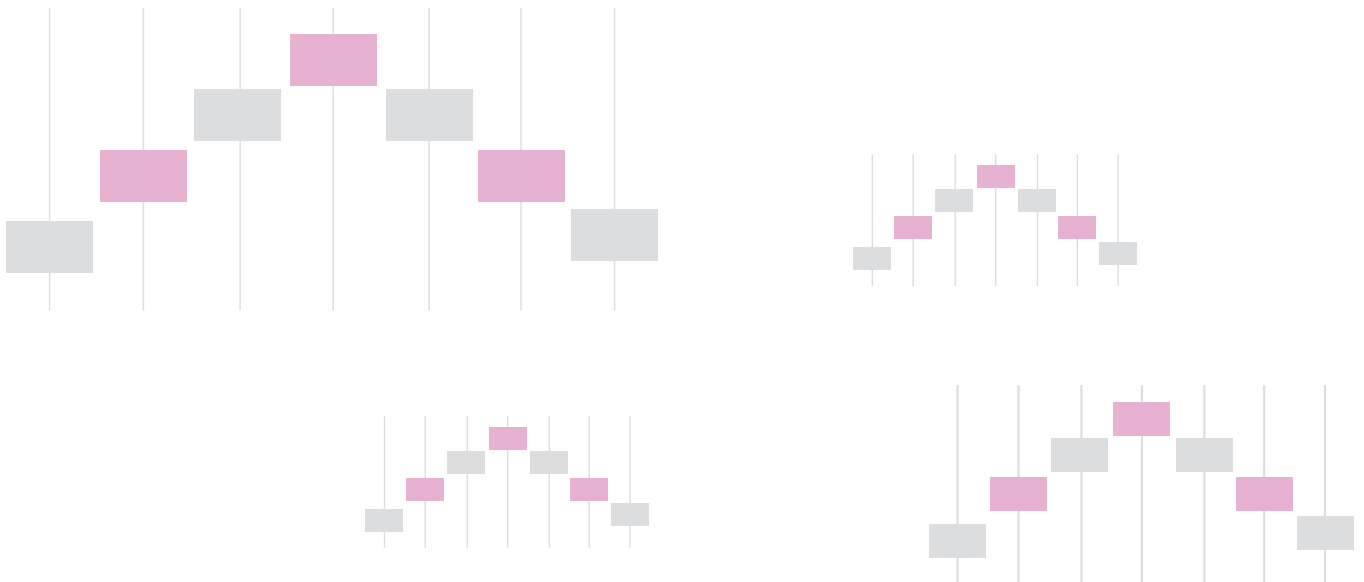
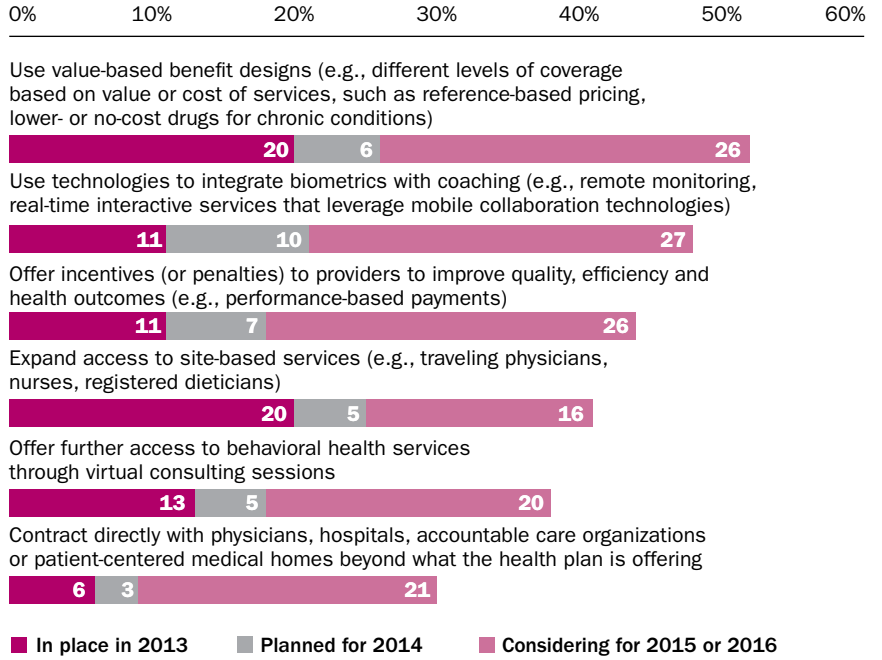
Some employers recognize the substantial opportunities to improve the quality and efficiency of care by engaging providers and vendors in the process (Figure 3).

This approach can be an important part of an overall health and productivity strategy, and some tactics, such as instituting an onsite/near-site clinic and integrating biometrics with coaching, can also serve to improve employees' engagement in their health. However, while there is interest on the part of employers in implementing some of these tactics over the next three years, current usage is low.

Key Takeaway

A focus on provider quality and the role of the consumer in advancing health care quality are major planned changes in the next few years.

Figure 3. Provider strategies to improve quality/efficiency of care



Concerned About Stress, but a Disconnect on the Causes

Globally, respondents cited stress as the number one workforce risk issue, ranking above even lack of physical activity and obesity. And 78% of U.S. employers identify it as a top risk factor for their workforce (see Figure 1, page 2).

Of even greater concern, employers and employees have vastly different opinions on the causes of employee stress, a difference that could undermine efforts to deal with the problem:

- U.S. employers in our survey rank lack of work/life balance as the top driver of stress, while employees surveyed in our 2013 Global Benefits Attitude Survey ranked it fifth in importance (Figure 4).
- Employees ranked the workplace experience — inadequate staffing, low pay or low pay increases, unclear or conflicting job expectations, and organizational culture — as their top stressors, while employers ranked those factors slightly lower or very low.

Employers committed to reducing stress in the workforce might start by understanding their employees' stress drivers, and then reviewing their health and workforce programs in light of the findings.

Figure 4. Employers versus employees: Sources of stress

	Employer view	Employee view
Lack of work/life balance (excessive workloads or long hours)	1	5
Inadequate staffing (lack of support, uneven workload or performance in group)	2	1
Technologies that expand availability during nonworking hours (e.g., mobiles, notebooks)	3	10
Unclear or conflicting job expectations	4	3
Fears about job loss; too much change	5	7
Lack of supervisor support, feedback and role modeling	6	6
Fears about benefit reduction/loss (e.g., lower value or loss of health care coverage, reduction in retirement benefits)	7	9
Organizational culture, including lack of teamwork, and tendency to avoid accountability and assign blame to others	8	4
Low pay or low increases in pay	9	2
Lack of technology, equipment and tools to do the job	10	8

Source of employee data: 2013 Towers Watson Global Benefits Attitude Survey (GBAS) completed by 5,070 U.S. workers at companies with 1,000 or more employees

Note: Companies responding 3, 4 or 5 on a 5-point scale; employees choosing top three sources of stress

“Employees’ message to employers is clear: Pay me adequately. Support me on the job. Guide me on my job priorities.”



High-Effectiveness Companies: A Better Way to Build a Culture of Health

In prior years, Staying@Work research has shown that companies with highly effective health and productivity programs (defined as high-effectiveness organizations) use a different approach from other organizations, and their programs are clearly more successful. First, high-effectiveness organizations' employees are more engaged in their own health and well-being:

- High-effectiveness organizations have a 66% employee participation rate in any wellness activity or health management program, compared to 45% for low-effectiveness organizations and 51% for all U.S. respondents.
- 57% of employees at high-effectiveness organizations complete the health risk assessment and biometric screening, compared to 38% for low-effectiveness organizations and 45% for respondents overall.

Second, there is a strong link between highly effective health and productivity strategies, and strong human capital and financial results:

- High-effectiveness organizations' employees in the U.S. have obesity rates (BMI > 30) that are 25% lower than low-effectiveness companies (33% vs. 43%), and the rate of diabetes/high-glucose risks are roughly half (12% vs. 23%).
- In 2012, unplanned absences for high-effectiveness organizations were lower (3.3 vs. 4.0 days per year), and respondents expect them to be as low or lower in 2013 (3.0 vs. 4.0 days per year).
- High-effectiveness companies are 40% more likely to report financial performance above their peers over the last year than low-effectiveness companies (63% vs. 45%). In fact, high-effectiveness companies are nearly 80% more likely to report their financial performance as significantly higher than their peers (20% vs. 11%).
- In the U.S., there is a differential in annual health care costs of more than \$1,600 per employee, giving a company with 20,000 employees a \$32 million cost advantage over low-performing organizations.

High-effectiveness organizations take a holistic view of health and productivity that focuses on several areas:

- **Gaining the commitment of senior leadership**, securing resources and funding, and committing to a comprehensive strategy
- **Developing a comprehensive strategy** that reflects the organization's specific challenges and goals, is based on identified population health issues and absence data, and integrates every aspect of health and productivity, including the organization's approach to health benefits, its tactics for ensuring employees' engagement in their own health and well-being, and the management of vendor relationships
- **Implementing employee engagement strategies** that promote a supportive environment, offer financial incentives for program participation and provide tools to help employees understand their best health care options
- **Engaging managers as role models** for a healthy lifestyle and training them to provide the face-to-face communication employees need
- **Communicating frequently** using a combination of high-touch and high-tech tactics
- **Taking steps to reduce employee stress** by understanding the sources and addressing them through a cohesive, thoughtful strategy
- **Providing easy access to high-quality health care** — both mental and physical — so employees can address health issues early and receive evidence-based, appropriate care, thereby avoiding or reducing absence
- **Understanding health and productivity outcomes** by establishing metrics, knowing the baseline statistics for population health and absence, measuring progress against goals and adjusting programs for best results

Key Takeaway

Organizations with highly effective health and productivity programs are doing a number of things differently, and their results are far better than their peers'.

About the Survey

The 2013/2014 Towers Watson Staying@Work Survey was completed by 892 employers in North America, Latin America, Europe and Asia between May and July 2013. Fifty-five percent of respondents have workforces located in multiple countries, and respondents operate in all major industry sectors.

The responses reflect the strategy, tactics and experience of each company in the local market. Companies were asked to complete the survey for each country in which they have significant operations. The primary target for the survey was the most senior benefit manager or health and productivity expert. However, the survey asked for information that may have required expertise in other departments (e.g., communication, internal communication). Respondents were encouraged to ask the most appropriate individuals in their company to assist in completing designated sections of the survey.

In the U.S., the survey was jointly sponsored by Towers Watson and the National Business Group on Health. There were 199 participants in the U.S.: 59% are public; 22% are private, and 19% are nonprofit or government agencies.

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 benefits, talent management, rewards, and risk and capital management.