Capturing the Value of Health and Productivity Programs

By Keith Caver, Thomas O. Davenport, and Steven Nyce

Healthcare reform has ignited debates, transformed industries, and reinvigorated individual health consciousness. Little wonder that savvy organizations now recognize good health as a business imperative—one with significant benefits for employee well-being as well as the company bottom line. The connection among wellness, workforce effectiveness, and organizational health is influencing the development of new strategies to deliver a more compelling and mutually beneficial employment deal between individual and organization—in essence, the reciprocal “give and get” relationship between employer and employee.
As more employers focus attention on employee health and wellness, they need to understand better how health and productivity effectiveness drive the human capital and financial outcomes critical to organizational success and improved total shareholder returns. With this enhanced understanding must come more effective strategies for achieving the full array of financial, productivity, and health results. HR collaborates with senior leadership in the design of these strategies and plays a critical role in executing and managing the resulting programs.

But first, let’s consider what organizations have to gain from improving employee health and wellness.

**The Business Value of Health and Productivity Initiatives**

Towers Watson’s 2013–2014 Staying@Work Survey revealed that improved health and productivity is a business priority in all countries studied. The majority of respondents said they expect to increase support for programs in these areas over the next two to three years.

Our findings uncover a solid link between highly effective health and productivity strategies and strong human capital and financial results—including improved worker productivity, increased turnover savings, and improved benefit cost management—that underpin organizational health. These results are not only evident within the United States, but extend out on a global basis. The Towers Watson Staying@Work research has demonstrated over the last decade the strong link between health and productivity effectiveness, a high-performing health care program, and ultimately superior financial performance.

The critical question is, what are the key ingredients of an effective health and productivity strategy? By examining two critical outcomes of highly effective health and productivity programs and practices—improved workforce health and increased workforce effectiveness—we can better understand the value of these initiatives.

**Improved Workforce Health**

Improving workforce health and lifestyle behaviors lowers medical and disability claims and reduces unplanned sick leave, absence, and lost productivity. Using the U.S. as an example, our research shows that companies with highly effective health and productivity programs experience:

- Reduced health care costs of more than $1,600 per employee, giving a company with 20,000 employees a $20 million advantage over companies with lower-performing programs

- Fewer lost days due to unplanned absences and disability (3.3 compared with 4 days), which can increase a typical company’s benefit savings by considerably more than 30 percent when combined with related savings on health care costs

- Reductions in some health risks (tobacco use and sedentary lifestyles or physical inactivity) as well as lower voluntary turnover rates

In addition, on a global basis, employers with highly effective programs that contribute to improved workforce health report 34 percent higher revenue per employee and market premiums that are 20 percentage points higher than low-effectiveness companies.

**Emphasize Workforce Effectiveness**

An effective health and productivity strategy invests in a comprehensive set of programs that spans the entire health continuum. But the recipe for a successful health and productivity strategy involves much more than having health programs in place. The most effective health and productivity strategies extend beyond physical and mental health to encompass the work environment, culture, and interpersonal relationships that connect employees to the mission and goals of the organization. Strategies that create a compelling, enterprise-wide employment deal through the organization’s reward structure, leadership, and communication program cultivate a highly engaged and effective workforce.

Our recent research points to a consistent relationship between high employee engagement and strong buy-in for employer initiatives promoting a healthy workplace environment. Absent some compelling personal reasons, disengaged employees are unlikely to connect with their employer on health and wellness issues.

In contrast, highly engaged employees are three to four times more likely to be aware of, receptive to, and responsive to the goals of the wellness programs (see Figure 1). In fact, these dialed-in employees are more than three times more likely to respond to their employers’ wellness efforts and take actions to live a healthier lifestyle than their disengaged counterparts. As we see in Figure 1, highly engaged employees have a greater awareness of their employers’ wellness initiatives, such as the availability of healthier food options in the cafeteria or tools to make better health decisions. This awareness predisposes employees to be receptive to manager involvement in wellness activities and to respond positively to various employer-sponsored initiatives.

**Falling Short—And What to Do About It**

Despite the evidence supporting the potential employee and employer benefits of improving workforce health and lifestyle behaviors, many employers are falling short in these areas. For instance, in the U.S., half of employers participating in our Staying@Work Survey say they offer various employee programs but do not have a formally articulated health and productivity strategy. Only 30 percent, however, report having effectively communicated a strategy and accompanying value proposition.

Globally, roughly half of survey respondents in each country indicate that, while they offer
Highly engaged employees are more likely to be receptive and responsive to the goals of their organization’s wellness programs

<table>
<thead>
<tr>
<th>Percentage favorable</th>
<th>Disengaged</th>
<th>Highly Engaged</th>
</tr>
</thead>
<tbody>
<tr>
<td>My employer promotes a healthy work environment (for example, healthy snacks, healthy options in the cafeteria, access to relevant information, etc.)</td>
<td>15%</td>
<td>58%</td>
</tr>
<tr>
<td>My employer provides good tools and resources to help me manage my health</td>
<td>23%</td>
<td>65%</td>
</tr>
<tr>
<td>Senior leaders visibly support a healthy work environment</td>
<td>11%</td>
<td>58%</td>
</tr>
<tr>
<td>I would be comfortable if my manager suggested initiatives to encourage me to live a healthier lifestyle</td>
<td>24%</td>
<td>55%</td>
</tr>
<tr>
<td>The wellness initiatives offered by my employer have encouraged me to live a healthier lifestyle</td>
<td>15%</td>
<td>51%</td>
</tr>
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Various employee programs, they do not have a formally articulated health and productivity strategy aligned to business priorities. In fact, only 10 percent to 15 percent of organizations in each market have an articulated health and wellness strategy with stated objectives and goals.

However, most employers recognize the importance of capturing this missed opportunity and plan to do so. Consistent with this recognition is a key theme echoed across all markets: the need to create a workplace culture of health. Said succinctly: culture beats scheme. Unless you get the culture right, even the cleverest designs will have a limited chance of success.

To develop an effective health and productivity strategy that will drive such a culture, senior leaders and HR staff must understand and address the challenges they face on their journey. The most important actions fall into two categories: improving employee engagement in wellness programs and upgrading the behaviors and actions of managers and executive leaders. HR plays a central role in the development and management of initiatives that drive wellness engagement and improve leader and manager effectiveness.

### Improving Wellness Engagement

Employers striving to develop and implement a coherent health and wellness strategy should start by understanding what employees value. Because health and well-being is a personal issue, many organizations use employee opinion surveys and consumer marketing techniques to segment their employee population to better understand the needs, preferences, and values of different employee groups. Using this knowledge, they can then establish program strategies and priorities, implement different program elements, measure their progress, and modify program elements based on those results to drive sustainable change.

What are some specific tactics that employers can use to improve participation in health and productivity programs? Employers with leading health and productivity programs in the U.S. look for ways to connect with employees in the workplace by sponsoring competitions between employee groups and worksites as well as tapping into the emerging social media by sponsoring affinity groups and promoting the use of mobile apps to complement health and wellness programs.

Incentives can also play an important role in motivating employees to participate in these initiatives. Globally, more than 50 percent of employees report incentives would encourage them to participate in an employer-sponsored activity. Financial incentives to encourage healthy behaviors are used primarily in the U.S. But there is a growing recognition that external incentives may not be enough. Consequently, some organizations are shifting their focus to more intrinsic values of health and wellness.

It is also critical for employers to communicate their health and wellness strategy using consistent messaging via a combination of high-touch (e.g., in-person meetings) and high-tech (e.g., social media apps, web tactics). They should target their communications to a segment of “persuadable” employees. This segment may be skeptical about the initiatives offered, but can be persuaded if compelling reasons are offered.

### Overcoming Employee Resistance

Employees have different attitudes about their employer’s role in their health and well-being. Targeting employees that are more receptive to employer involvement will lead to better outcomes. To help employers better understand their employees, we have identified three types of employees based on their attitudes to employer-sponsored health and wellness initiatives as reported in our Global Benefits Attitude Survey.

- **On board.** These employees support the role of the employer in encouraging health and willingly participate in employer initiatives (globally 25 percent of employee populations).
- **Persuadable.** Employees in this group are skeptical about the well-being initiatives offered, but can be persuaded given suitable circumstances (56 percent of all employees).
- **Resistant.** These employees are not supportive of employers having a role in their health and well-being (19 percent of employees).
“On-board” employees are twice as likely to participate in their company’s wellness programs, 50 percent more likely to have a healthy BMI, and report nearly two fewer lost workdays throughout the year. Moreover, they are twice as likely to be highly engaged as employees who are resistant to their employer’s involvement in their health. Employers must build trust with their employees to overcome the most common workplace stressors and to connect on personal issues such health and lifestyles. These are critical factors to cultivating an environment that can motivate employees to embrace and sustain good health habits. But it’s important to note that there is more than one path to building a stronger relationship with employees. In fact, the health and well-being initiatives may be the key factor that connects some employees—including the more health-conscious employees—to the mission, vision, and direction of the organization.

Regardless, these foundational elements will help employers build a culture of health and well-being in which engagement in these initiatives is not just a narrow “health” issue. Rather, the impact of this health culture can extend to broader worker engagement in the company. (See sidebar, “Building a culture of health and well-being,” above.)

**Strengthening Executive Leader and Manager Effectiveness**

Multiple research efforts highlight the need to improve the role of executive leaders and managers in driving health and productivity initiatives. According to the Towers Watson 2014 Global Workforce Study, only 45 percent of employees say that senior leadership is sincerely interested in employee well-being. Even more disturbing is the finding from our Staying@Work Survey that reveals senior leader support is a leading obstacle to changing employee health behavior in many countries, including China, Brazil, Canada, and the U.S.

Reinforcing the urgency of this situation, Towers Watson’s 2013/2014 Global Benefits Attitude Survey indicates that, while employees are receptive to employers taking an active role in supporting their health and well-being, they do not perceive senior leaders to be supportive of a healthy work environment. Moreover, fewer than half of employees say that their managers are actively encouraged to support the health and well-being of their direct reports. (See sidebar, “Managers and senior leaders are not perceived as supportive of employee health,” above.) Effective executives are committed to an organization’s strategic priorities and model its values and culture. From the CEO down, they prioritize the development of a culture of health and reinforce those programs that deliver strategic value to the organization. And to build a foundation of trust with their employees, leaders model the behaviors they want from employees: They get themselves like effective executives, high-performing managers model a healthy lifestyle. In addition, they provide face-to-face communication using consistent messaging about the value that health and productivity initiatives deliver to employees.

Managers also help drive program engagement. More than half of employees (54 percent) say that the best managers help remove obstacles to success, a key driver of enablement and sustainable engagement. In the context of wellness programs, this may involve clarifying program goals and objectives and providing employees with the tools to track progress and communicate success. Effective managers also drive sustainable engagement in these programs by ensuring that employees have a supportive environment that energizes them to participate and sustains them through the required program activities.

Managers have a particularly dramatic effect on employee stress. High stress translates directly to health problems. The American Psychological Association and the American Institute of Stress have estimated that stress-related illness costs U.S. companies more

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**Sidebar**

**Building a culture of health and well-being**

1. **Health is a top priority for the large majority of employees, but many are failing to engage with employer initiatives**
   - Target communication to segment of ‘persuadable’ employees

2. **Employees are receptive to their company taking an active role, but do not feel employers’ are taking active steps to support their health and well-being**
   - Get managers and senior leaders more involved

3. **Overcoming inertia**
   - Cultivate healthy social norms through onsite activities and by leveraging new technologies and social apps

4. **The role of incentives**
   - Financial incentives are supportive of activity but there are limits — not a primary motivator and are more important to those already

5. **Engagement with health and well-being**
   - Not just a health ‘issue’, relates to broader issues of worker engagement with the company

*Source: Towers Watson 2013/14 Global Benefits Attitude Survey*
Managers and senior leaders are not perceived as supportive of employee health

<table>
<thead>
<tr>
<th>Region</th>
<th>43%</th>
<th>31%</th>
<th>38%</th>
<th>40%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers at my workplace are actively encouraged to support the health and well-being of employees who report to them</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My immediate manager gives me the time/ flexibility that would enable me to live a healthier lifestyle</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior leaders visibly support a healthy work environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Note: Percentages that "Agree" or "Strongly agree"
Source: Towers Watson 2013/14 Global Benefits Attitudes Survey

than $300 billion annually. Job pressure, with manager behavior a principal factor, is the No. 1 cause. Our research suggests, however, that employees and organizations disagree about the causes of stress. (See sidebar, "Employers and employees not aligned on causes of stress," below.)

Employers view work-life balance as the leading source of stress. In contrast, the key sources of stress for employees are not work-life issues but workplace issues—namely, lack of support, low pay, and conflicting job expectations. These stress drivers reflect a gap in two elements critical to sustainable engagement—enablers, which relates to resources, and support in various forms, including financial (e.g., pay) and energy, which relates to the well-being that comes from a supportive social environment that ensures clear job expectations.

Addressing the perception of low pay is challenging for employers. Few have sufficient budget flexibility to make substantial increases to base pay across the employee population. But this doesn't mean that companies can or should ignore the message that employees feel under-rewarded. Research into employee stress indicates that a perceived imbalance between effort and reward (not just financial remuneration but also recognition and career growth opportunities) is a major cause of stress. Redressing a perceived effort-reward imbalance requires, at a minimum, companies to ensure that:

- The mechanics of the pay system (base pay, short- and long-term incentives) are understood by everyone in the organization; lack of knowledge leads to conspiracy theories about how executives exploit employees by paying far below market.
- The manager population knows how to identify the strongest contributors and uses the system to reward them accordingly.
- The performance assessment process underlying rewards is applied fairly and accurately; for example, forcing a performance distribution onto a bell-shaped curve often fails to recognize the important contributions of the most effective employees.
- The organization provides the richest possible array of learning and career development opportunities; our research consistently shows that the opportunity to master a job and grow with an organization is a highly valued reward as well as an important buffer against the stress of stuck-in-a-rut jobs.
- The employee population understands the full scope of rewards provided, so that they can value both financial elements and the non-financial rewards that don’t show up in their pay checks.
- Supervisors and managers can also play an important role in addressing the causes of workplace stress.

Employers and employees not aligned on causes of stress

<table>
<thead>
<tr>
<th>Cause of Stress</th>
<th>Employer View</th>
<th>Employee View</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of work/life balance (excessive workloads and/or long hours)</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Inadequate staffing (lack of support, uneven workload or performance in group)</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Technologies that expand availability during nonworking hours (e.g., mobiles, notebooks)</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Unclear or conflicting job expectations</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Fears about job loss, too much change</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Lack of supervisor support, feedback and not living up to their word</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Fears about benefit reduction/loss (e.g., lower value or loss of health care coverage, reduction in retirement benefits)</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Organizational culture, including lack of teamwork, tendency to avoid accountability and assign blame to others</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Low pay (or low increases in pay)</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Lack of technology, equipment and tools to do the job</td>
<td>10</td>
<td>8</td>
</tr>
</tbody>
</table>

Note: Companies responding 3, 4 or 5 on a 5-point extent scale. Employees given a choice of their top three sources of stress. 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.
To-Do List for a Healthy and Productive Workforce

Insights from our research and client work reveal that high-effectiveness organizations take a holistic view of health and productivity that focuses on several key areas:

- Gaining the commitment of senior leadership.
- 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—from approaches to health benefits to the management of vendor relationships.
- Implementing employee engagement strategies that promote a supportive environment, offering financial incentives for program participation and providing 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.
- Understanding and addressing the sources of employee stress through a cohesive, manager-led strategy.
- Providing easy access to high-quality health care—both mental and physical—so employees can address health issues early, thereby reducing or avoiding absence.

- Employees can navigate between work challenge and work overload. Overload is what happens when job tasks are too numerous or too complex for the time available, when people are unclear about their roles and expectations, when boredom with repetition pushes out energy to care and perform. Managers should ensure that jobs are challenging and engaging, but not impossible burdened with stress-generating expectations.

- People have support from their teams and their managers. Advice from supervisors, help from peers, technology that performs—these are the resources that make challenging work feasible, rewarding, and healthy. The manager’s job is to ensure that, to the extent possible, employees have access to the physical, emotional, and social support needed to make stressful work manageable.

- People are given reasonable control over how, when, and where they work. Autonomy over work process is a critical buffer against stress. People who have the freedom to decide how best to do their work consistently report higher engagement in their jobs, greater commitment to their organizations, and lower stress.

- People are provided rewards, especially nonfinancial, intrinsic recognition, for a job well done. Our research reveals a strong link between manageable stress levels and employees’ perception of the effectiveness of their employment deal. More than 80 percent of employees who say their employment deal is highly effective and well understood say their stress levels are manageable, compared with 39 percent of those who give their employment deal a low effectiveness rating. Managers should focus on aspects of the deal within their purview, including important intrinsic elements—informal recognition, development opportunities, challenging and fulfilling work assignments, and, of course, job mastery and career growth. These are inexpensive to deliver but powerful in helping to drain stress from the work environment.

The Role of HR

HR plays a critical role in the design, execution, and ongoing management of health and productivity initiatives. To build a culture of health, HR executives begin by enlisting the support of senior leadership to make health a top priority. They use data and analytics to better understand the employee population, including demographics, drug utilization, absence/productivity statistics, and engagement levels. This information is then used to develop programs focused on wellness, prevention, and managing illness.

At the same time, HR must promote financial well-being, which reduces stress and supports a culture of health. This involves ensuring the baseline competitiveness of both compensation and benefits, and establishing a clear line of sight between employee performance and pay by differentiating salary and bonus awards based on performance. It is also important to periodically assess employee preferences and adjust the total rewards package accordingly.

To be sure, this is not a simple or easy set of tasks. Building a healthy workplace environment is a multi-faceted challenge where there is no silver-bullet solution. It requires continuous time and attention where the activities, programs and even your strategy evolve with the organization. We observe, however, that few investments organizations can make will generate a higher return on investment. From our perspective, this makes investment in employee health and wellness a prudent strategic initiative, as well as the right thing to do.

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