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Spring 2013

What is the Impact of Improved Health to Organizational Performance?

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What is the Impact of Improved Health to Organizational Performance?

Abstract

A significant and growing body of evidence shows a link between employee health, lost work time and productivity. As healthcare issues garner greater attention from senior management, however—because of both rising healthcare costs and recent healthcare reform legislation—many employers are turning to a broader question: What is the impact of improved health on my company's performance? This report will analyze the relationship and deliver practices from companies which have highly effective health and productivity management program.

Keywords

human resources, wellness, health and wellness, performance

Disciplines

Human Resources Management

Comments

Suggested Citation

Yu, K. & Bang, S. (2013). *What is the impact of improved health to organizational performance?* Retrieved [insert date] from Cornell University, ILR School site: <http://digitalcommons.ilr.cornell.edu/student/47/>

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Executive Summary

Question

What is the impact of improved health to organizational performance? Show a relationship between employee health (or risk factors) and business metrics (quality, safety, output, engagement)?

Introduction

A significant and growing body of evidence shows a link between employee health, lost work time and productivity. As healthcare issues garner greater attention from senior management, however—because of both rising healthcare costs and recent healthcare reform legislation—many employers are turning to a broader question: What is the impact of improved health on my company's performance? This report will analyze the relationship and deliver practices from companies which have highly effective health and productivity management program.

Analysis: Relationship between workforce health and business outcomes

Employers with effective H&P programs achieve significantly better business outcomes

¹A Towers Watson report over 350 employers with greater than 1,000 employees showed companies that approach ²Health & Productivity program as a business strategy achieved significantly better financial outcome. This study contains 20 items equally divided between health program effectiveness and workforce effectiveness. Participants' responses reflect their self-assessment of how effective their companies have been in delivering the elements essential to developing a healthy and effective workforce. Taken together, the response data build a comprehensive diagnostic of the effectiveness of companies' health and productivity strategy and programs. Four specific benefits were found in this study.

- **Higher total returns to shareholder, market premium, revenue per employee**

According to the report, 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. Organizations with higher levels of H&P effectiveness also earn a higher market premium and report the highest average revenue per employee. (Table 1)

¹ The Health and Productivity Advantage, 2009/2010, North American Staying@Work Report

² The strategy, tactics and programs to improve employee/family health and the company's workforce effectiveness

- **Lower Turnover rate**

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. Total turnover rates among the most effective companies were 14.8 percent, while low-effectiveness companies reported total turnover of nearly 21 percent. (Table 2)

Well-Being's Link to Attributes that Drive Organizational Performance is solid

³Healthways' study reveals empirical evidences for the relationship between a worker's well-being and a broad list of employee outcomes. The study measured substantial differences in health-care cost and productivity for 11,700 employees along a continuum of low to high well-being. The results found that employees with low well-being have a substantially higher probability of exhibiting behaviors that will negatively affect business outcomes, both in terms of direct health-related costs, as well as business performance measures, than do employees with high well-being. According to the study, people with low well-being are:

- **Seven times more likely to have low job performance**
- **Twice as likely to have low intention to stay with the same employer.**

Relationship between Health and Business Performance is statistically significant

According to the article "Linking Workforce Health and Business Performance" by Integrated Benefits Institute(IBM), companies that offer more of the highly rated HPM practices have better business performance outcomes. This study investigates the relationship between employers' HPM scores and measurable indicators of organizational business success. The results indicated that:

- **There is a statistically significant relationship between Return on Sales(ROS) and HPM scores** but no relationship between HPM efforts and output per employee or corporate reputation (Table 3)

Practices: Companies with highly effective H&P programs

In addition to above findings, we found useful empirical cases from companies having high effective health and productivity management programs.

Johnson & Johnson emphasizes employees' health on its Credo. J&J CEO William C. Weldon

³ <http://www.worldatwork.org/waw/adimLink?id=65608>

said, “An important part of our Credo responsibility to our employees is providing them with resources to lead healthier lives. Good health is also good business”. CEO James Burke’s aimed to make J&J employees to the healthiest in the world and to reduce healthcare costs through on-site programs and services.

Dow Jones focuses 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. Its efforts are felt at the individual level as well as at the operational and corporate level. 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.

Unilever has implemented its longstanding Lamplighter Program with good results in numerous countries around the world. The program has great leadership support, takes innovative approaches to service delivery and has a comprehensive evaluation plan. And Unilever also continues to experiment with productivity metrics.

Conclusion: Successful H&P programs are linked to improved business outcomes

Efforts for employee health are a first step to building foundation for business success and it transcends country borders. Research shows that companies with successful Health and Productivity management programs are linked to improved business outcomes, including reductions in lost time, improved employee effectiveness, lower medical trends and, ultimately, superior financial returns. (Table 4)

Appendix

Table 1. 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.

Table 2. Linking H&P Effectiveness to Turnover rates

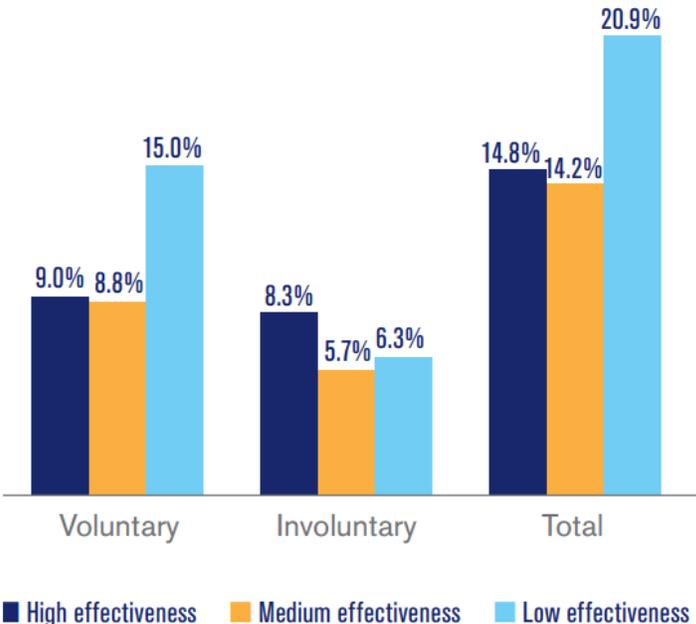


Table 3. Relationship between ROS and HPM Scores

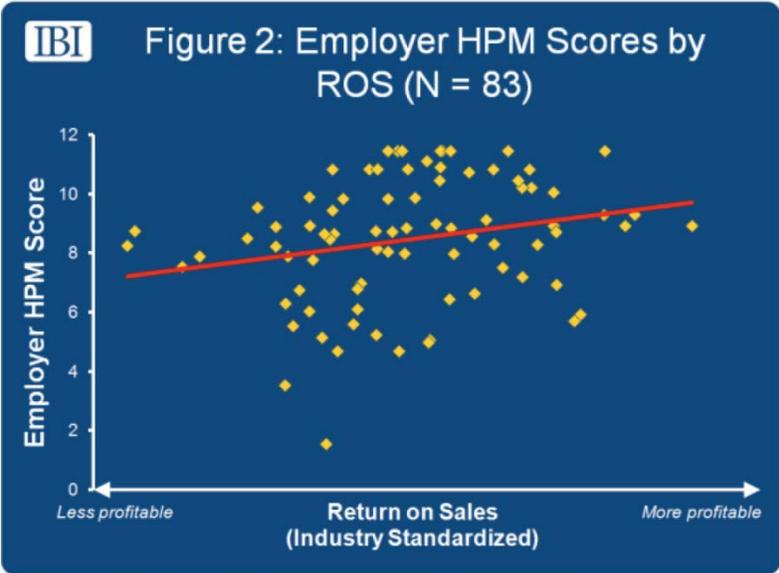
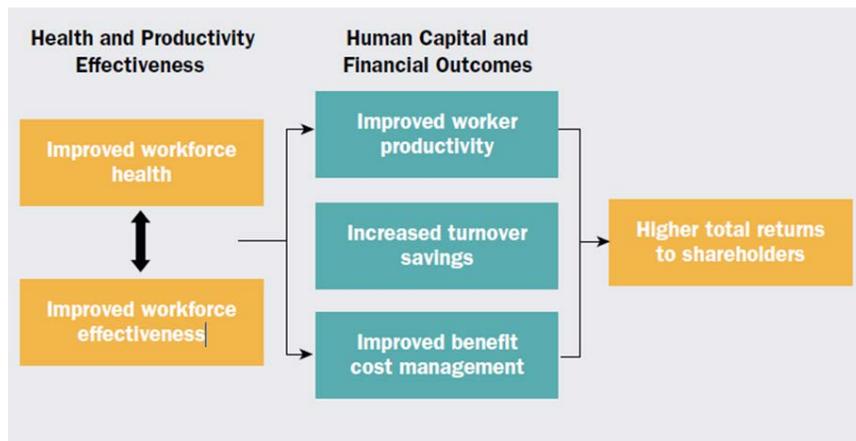


Table 4. Pathway to a healthy and productive workforce



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