Making the case for wellness

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In our experience, South African organisations are increasingly taking a more strategic approach to wellness, recognising the wide-ranging impacts that it can have on the business. However, many organisations still find developing a robust, evidence-based business case for investment challenging.

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Motivations for investing in wellness

Although the objectives of wellness initiatives vary, from improving engagement and the employee value proposition to achieving a wider social objective, most companies at least aim to reduce costs and/or improve productivity through investing in wellness. Increasing healthcare costs are a significant issue.

During our 2014 survey of medical scheme principal officers, almost all respondents stated that increasing costs related to chronic conditions was one of their three biggest concerns in the industry. However, the costs to employers of ill-health and wellness issues can be much higher than just the direct costs of healthcare provision, such as medical scheme benefits. For example, PwC research found that productivity losses associated with workers who have chronic diseases are as much as 400% more than the costs of treating the chronic diseases (PwC, 2014a). Other examples include:

Absenteeism

A PwC study conducted in Australia found that unhealthy workers take nine times more sick days than healthy workers (PwC, 2010). In the UK, we conducted a review of case studies that covered multiple industries and more than 50 organisations and found positive returns on investment in organisations where wellness programmes were implemented to target factors such as medical costs, absenteeism and presenteeism. Eighty percent of the organisations reviewed noted a decrease in days lost through sickness, with an average decrease of approximately 30-40% (PwC, 2008).

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Reduced engagement and productivity

Numerous links between employee engagement and well-being have been identified, and both impact individual and organisational performance (Engage for Success, 2014c). We view well-being to be a key component of engagement and vital for ensuring sustained engagement. However, an organisation's efforts to engage can also influence the well-being of its employees.

Productivity in turn can be impacted by all aspects of well-being, including physical health, emotional and psychological well-being and personal financial health. The study performed in Australia showed that on average six working days are lost per employee per year due to presenteeism (Medibank, 2008). In Canada, a study investigated the link between an employee's emotional well-being and their work productivity and found that a 20% reduction in a person's well-being led to a 10% drop in their performance. Conversely, a 20% improvement in morale led to a reduction in absenteeism, employee turnover rate and worker compensation (Wright, 2002).

Financial issues can increase stress levels and result in employees being distracted at work. Both will impact engagement, well-being, absenteeism and productivity. In 2014 in the US, we found that 39% of employees in a nationwide survey spent three or more hours per week considering or dealing with personal financial issues and nearly a quarter stated that such issues had been a distraction at work (PwC, 2014b). Financial wellness can therefore impact both employees and their employers.

In the UK study, eight organisations reported improvements in productivity and a further four increased competitiveness and profitability due to wellness initiatives (PwC, 2008).

Staff turnover

Global research by the World Economic Forum found organisations that do not promote wellness are four times more likely to lose talented staff over the following year (World Economic Forum, 2010) and close to a third of UK organisations in the case study review found a reduction in staff turnover rates, with an average of approximately 20-25% due to wellness initiatives. Over 25% of organisations in the latter study found a positive increase in employees' opinions of the organisation as a result of the wellness programme interventions and participation (PwC, 2008).

Accidents and injuries

The PwC UK case study review found that close to 30% of the organisations reviewed reported a reduction in accidents and injuries as a result of worksite wellness initiatives, with an average reduction of around 50% (PwC, 2008).

Applying the evidence to develop a stronger business case

Given that every organisation is unique in terms of its purpose, strategy, activities, workforce demographics, locations and environments, it is important to first understand its unique health and wellness profile and risks and then to develop a wellness strategy which is consistent with the overall strategy of the organisation and the needs of its employees.

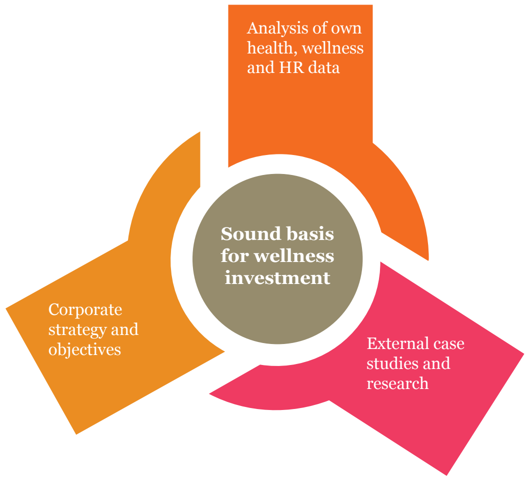

Figure 1. Key ingredients for a robust wellness strategy and business case for investment

Employers often have access to more health-related data than they realise and/or are not making best use of the data to build a comprehensive picture of their health-related costs and needs, for example, by integrating the many different sources of internal and service provider data.

A thorough analysis of internal HR and service provider data, together with external information, can be used in actuarial modelling to confirm key issues and estimate the potential impact of interventions: an expected return on investment (ROI) where cost reduction is the main objective or value of investment (VOI) where there are wider objectives. It can also be used in setting outcomes-based targets and for ongoing monitoring of outcomes to ensure that interventions are effective and provide the best value for money.

Sources

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