



**Australian Government**

**Comcare**

# BENEFITS TO BUSINESS: THE EVIDENCE FOR INVESTING IN WORKER HEALTH AND WELLBEING

Good work is good for you. Strong evidence shows that good employee health and wellbeing boosts organisational health.

There are numerous reasons why investing in programs to enhance worker health and wellbeing makes good business sense. Put simply: healthy workers = healthy organisations = healthy business performance.

Employers who run health and wellbeing programs do so because they want to:

- > Improve work performance and productivity
- > Reduce costs associated with absenteeism, presenteeism, disability and workers' compensation
- > Improve the culture of the organisation and retain existing employees
- > Improve the organisation's image, attract talented employees and fulfil corporate social responsibility obligations.<sup>1</sup>

## HEALTH

### Workplace health and wellbeing programs can significantly improve the health of employees

A recent Comcare review found compelling evidence of real health-related benefits for employees from health and wellbeing programs, in spite of challenges in program evaluation.<sup>2</sup> For instance, the following positive findings from research on workplace interventions have been found:

- > Strong evidence that smoking cessation interventions directed towards individual smokers increase the likelihood smokers will quit.<sup>3</sup>
- > Strong evidence that multi-component interventions addressing physical activity and/or nutrition are effective in increasing physical activity levels, promoting healthy eating and preventing obesity.<sup>4</sup>
- > Interventions targeting physical activity are effective in preventing musculoskeletal disorders, such as low back pain.<sup>5</sup>
- > Measures addressing organisational culture are effective in improving musculoskeletal health.<sup>6</sup>
- > Interventions utilising a systems or comprehensive approach are effective in preventing and controlling job stress at an organisational level.<sup>7</sup>

### Unhealthy workers are less productive

Research on the relationship between health and productivity finds healthy workers are more productive at work than unhealthy workers.<sup>8</sup> Healthy workers rate their work performance as much higher than unhealthy workers and have far fewer short-term absences than unhealthy workers. When an Australian study considered the combined effects of self-rated work performance and absenteeism data they found that the healthiest employees are almost three times more effective than the least healthy, with the healthiest employees working approximately 143 effective hours per month compared to 49 effective hours per month by the least healthy.<sup>9</sup>

## Chronic disease is on the rise and impacting on the health of Australia's workers

Chronic diseases, which include arthritis, musculoskeletal disease, depression and anxiety, cardiovascular disease, cancer, diabetes and hypertension, make up more than 70% of Australia's overall disease burden.<sup>10</sup> In 2004/05, 33% of working-age Australians reported that they suffered from at least one chronic disease.<sup>11</sup> Chronic disease, which is considered to be largely preventable, is identified as the prime cause of lost work time in the working-age population<sup>12</sup> and often leads to disability and early retirement. Health conditions associated with low labour force participation in the 45-64 years age group and "lost workforce" are back problems, arthritis and related disorders and mental illness.<sup>13</sup>

Most chronic diseases in Australia are associated with one or more of the following lifestyle-related risk factors:

- > unhealthy eating;
- > physical inactivity;
- > alcohol; and
- > smoking.<sup>10</sup>

Because a person's likelihood for developing a chronic disease increases with the number of risk factors they have, reducing the prevalence of risk factors is key to preventing chronic disease. Unfortunately, while smoking rates are dropping, ABS data shows other risk factor rates in Australia are rising steadily<sup>14</sup> and 72% of working-age Australians report multiple risk factors for chronic disease.<sup>15</sup>

The workplace can contribute to some risk factors for chronic disease, for instance via sedentary work and work-related stress. Work-related stress is becoming increasingly problematic in Australia, as evidenced by a 54% increase in mental stress claims as a proportion of all accepted claims by premium payers in the Comcare scheme since 2006/07.<sup>16</sup>

## Protecting the health of workers is becoming more critical as the workforce ages

Australia's population is aging. There are fewer workers to support retirees and younger dependents. In the Australian Public Service (APS) there has been a consistent long-term trend towards an older age profile, with increasing representation of workers over 45 years of age.<sup>17</sup> Older workers are more likely to develop chronic diseases and disabilities and may be more vulnerable to the effects of workplace accidents. Therefore, as the workforce ages health and wellbeing initiatives that support older workers to remain in the workforce by reducing health risks and preventing or delaying the onset of chronic disease and disability are becoming more important.<sup>12</sup>

## ENGAGEMENT

### Health and wellbeing programs make staff feel valued and positively impact on workplace culture

Health and wellbeing programs help to attract quality employees who value personal health and wellbeing and assist in retaining existing staff members. For instance, 60% of employees surveyed by the American Association of Occupational Health Nurses in 2003 regarded wellness programs as a good reason to remain with their employer.<sup>18</sup> Roll out of programs has the potential to improve workplace culture as well as workplace health by developing a closer congruence between employer and employee values—increasing the satisfaction level of employees.<sup>19</sup>

### Health and wellbeing programs are associated with increased employee engagement, creativity and innovation

Global research has found that when employee health and wellness is managed well the percentage of engaged employees increases from 7% to 55%.<sup>24</sup> This research also found self-reported creativity and innovation increases from 20% to 72%.

## PRODUCTIVITY

### Health and wellbeing programs save employers money

There is a wealth of emerging evidence indicating that successful health and wellbeing programs provide an excellent return on investment. For instance, one meta-evaluation looking at economic return of worksite health promotion programs found on average programs:

- > decrease sick leave absenteeism by 25.3%
- > decrease workers compensation costs by 40.7%
- > decrease disability management costs by 24.2%; and
- > save \$5.81 for every \$1 invested in employee health and wellbeing.<sup>20</sup>

### Successful health and wellbeing programs are likely to improve productivity

While it is difficult to ascertain the direct link between the implementation of health and wellbeing programs and productivity, there are good indications that productivity can be positively impacted by such programs. For example, non-randomised studies found worksite lifestyle promoting studies focusing on increasing physical activity and improving diet have resulted in reduced absenteeism and higher productivity.<sup>21</sup> Other research has found productivity losses to be associated with health risk factors, with employees losing 2.4% of their productivity for each health risk factor measured.<sup>22</sup> Further research found that where health risks increased presenteeism also increased and conversely, where health risks decreased, presenteeism decreased.<sup>23</sup> It can therefore be inferred that improvements in health risk factors in employees are highly likely to improve work productivity.

### The costs of ill health to business include staff turnover, absenteeism, presenteeism, disability and workers' compensation

*Turnover:* Research has identified an association between health and wellbeing and employee turnover: where an organisation does not manage health and wellbeing well it is four times more likely to lose talent in the next twelve months.<sup>24</sup>

The Australian Human Resources Institute (AHRI) recently estimated that the cost of staff turnover in Australia is in the order of \$20 billion. AHRI also found that staff turnover rates in Australia are on the rise. AHRI estimates the cost of replacing an employee is at least 75% of the employee's annual salary and may be as much as 150% in some cases.<sup>25</sup>

*Absenteeism:* Absenteeism rates in Australia are on the increase, up from 8.5 days per person in 2006 to 9.87 per person in 2010.<sup>26</sup> While absence rates vary widely between APS agencies, the broader Australian upward trend was reflected in 2009-10, with the median rate rising to 10.5 days per person.<sup>17</sup> Workplace absences are expensive for employers, costing on average \$3741 per employee per year in 2010. As 75% of unplanned absences are for illness, the link between worker health and absenteeism costs is obvious. Organisations can calculate their own absence costs using online Absence Calculators, such as that available at: [www.dhs.nef.au/](http://www.dhs.nef.au/).

*Presenteeism:* When employees at work are not fully functioning due to illness or a medical condition, it is estimated the cost to the employer is between three and four times that of absenteeism. Economic modelling of the cost of presenteeism related to 12 chronic diseases in Australia estimated overall average labour productivity loss in the region of 2.5%.<sup>27</sup> Overseas research indicates that on-the-job productivity losses could account for up to 61% of the total cost borne by the employer due to employees suffering from chronic disease.<sup>28</sup> As presenteeism is a 'hidden' cost the true cost of an unhealthy workforce is likely to be much larger than most employers realise.

*Workers' compensation:* Body stressing and mental stress claims accounted for 71% of premium payers' claims costs in the Comcare scheme in 2009/10.<sup>29</sup> The incidence of both claim types is strongly influenced by the psychosocial work environment and levels of worker wellbeing. Research finds the lowest workers' compensation costs are found in work teams where good leadership and organisational climate factors foster a positive work environment where employees feel supported and have high levels of wellbeing.<sup>30</sup> Investments in worker health and wellbeing that aim to improve organisational climate and develop supportive leadership can therefore expect to lower workers' compensation costs.

## EMPLOYER OF CHOICE

### Health and wellbeing programs make organisations look and feel good

One of the main reasons employers report implementing health initiatives is because it is 'the right thing to do'. When management expresses concern for workers and demonstrates a willingness to invest in them the relationship between employer and employee is likely to improve. Demonstrating a sense of corporate social responsibility can also improve the organisation's image with the public and can help an organisation become an "employer of choice".<sup>31</sup>

Optus is one Australian company that has invested in a health and wellbeing program since 2004 as a key mechanism to engage and support their staff. Optus enjoy a high status as an employer of choice and have also halved their injury rates over this time.

### Competition for skilled employees is increasing

A 2011 survey of Australian employers found 82% of respondents report their organisations have a gap in their workforce skills, up from 76% in 2009/10.<sup>32</sup> Where a gap in skills exists the organisation's existing employees are reported to suffer from higher stress and lower morale. Another knock-on effect is the loss of more high performing employees, in what can become a vicious cycle.

Skills Australia warns of significant shortfalls between the numbers of qualified people available and that required in the workforce by 2015, even under conservative modelling.<sup>33</sup> They conclude that in the most likely scenario long-term economic growth will be threatened if the relevant issues are not addressed.

In the APS, skills shortages are already being felt with many agencies reporting shortages that are having a moderate or severe impact on agency capability. This situation is likely to be exacerbated by the aging of the APS workforce which sees 43.4% of current ongoing employees becoming eligible for retirement within the next 10 years.<sup>17</sup>

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