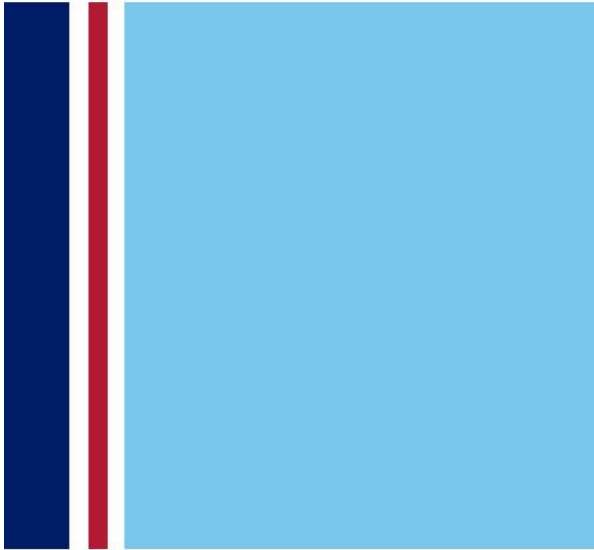


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Leveraging Workforce Effectiveness  
and Workforce Health for Competitive  
Advantage

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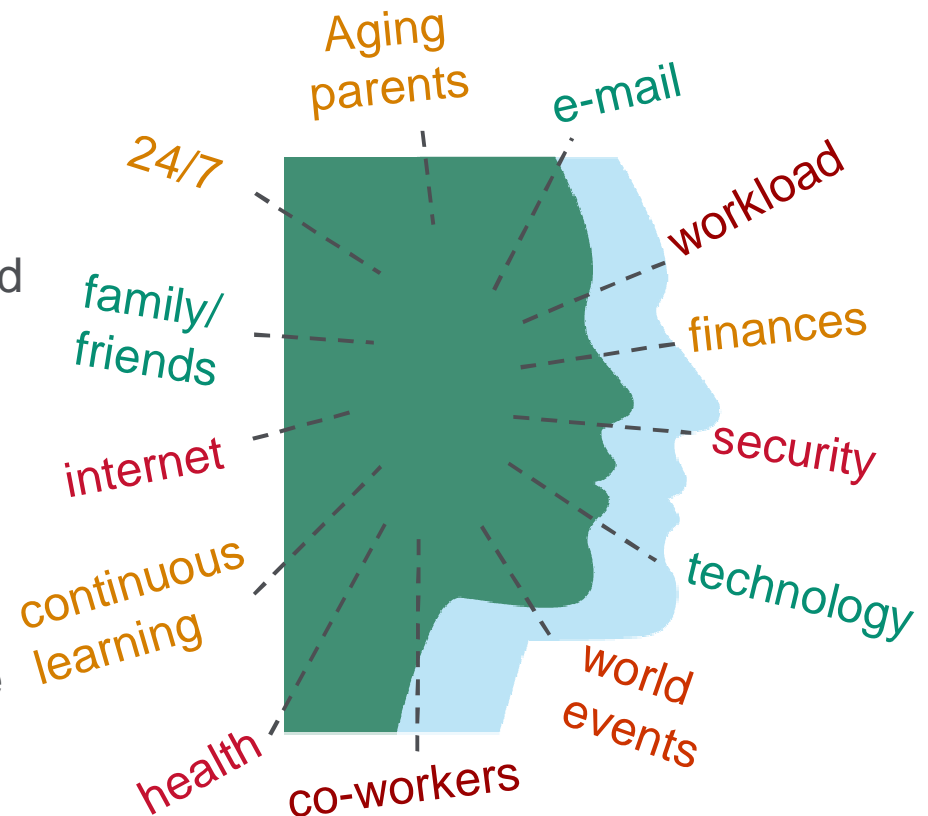


# Agenda

- Why are you here?
  - Connecting the dots around Health and Productivity Management (HPM) and EAP
- What is the research saying?
  - Linkages between stress, health, work and corporate performance
- Extending EAP's reach

# Controllable Risks That Are Impacting Business Performance

- Significant work stress #1 reason for employee turnover<sup>1</sup>
- Up to 80% of workplace injuries due to stress<sup>2</sup>
- Mental health issues (stress, anxiety and depression) most common condition for STD and LTD claims<sup>3</sup>
- Employees who feel efforts are not effectively rewarded experience higher stress, injury and illness rates<sup>4</sup>
- Employees who have high demands placed on them and no decision latitude have higher adverse health outcomes<sup>5</sup>



<sup>1</sup> "The Power of Integrated Reward And Talent Management" 2008/2009 Global Strategic Rewards Report And Canadian Findings, Watson Wyatt

<sup>2</sup> American Institute for Stress, Atkinson, 2004

<sup>3</sup> "Staying@Work: Effective Presence at Work" Watson Wyatt Worldwide, 2007 Survey Report, Canada

<sup>4</sup> Dr. Tores Theorell, Karolinska Institute

<sup>5</sup> Dr Robertt Karasek and Dr. Tores Theorell

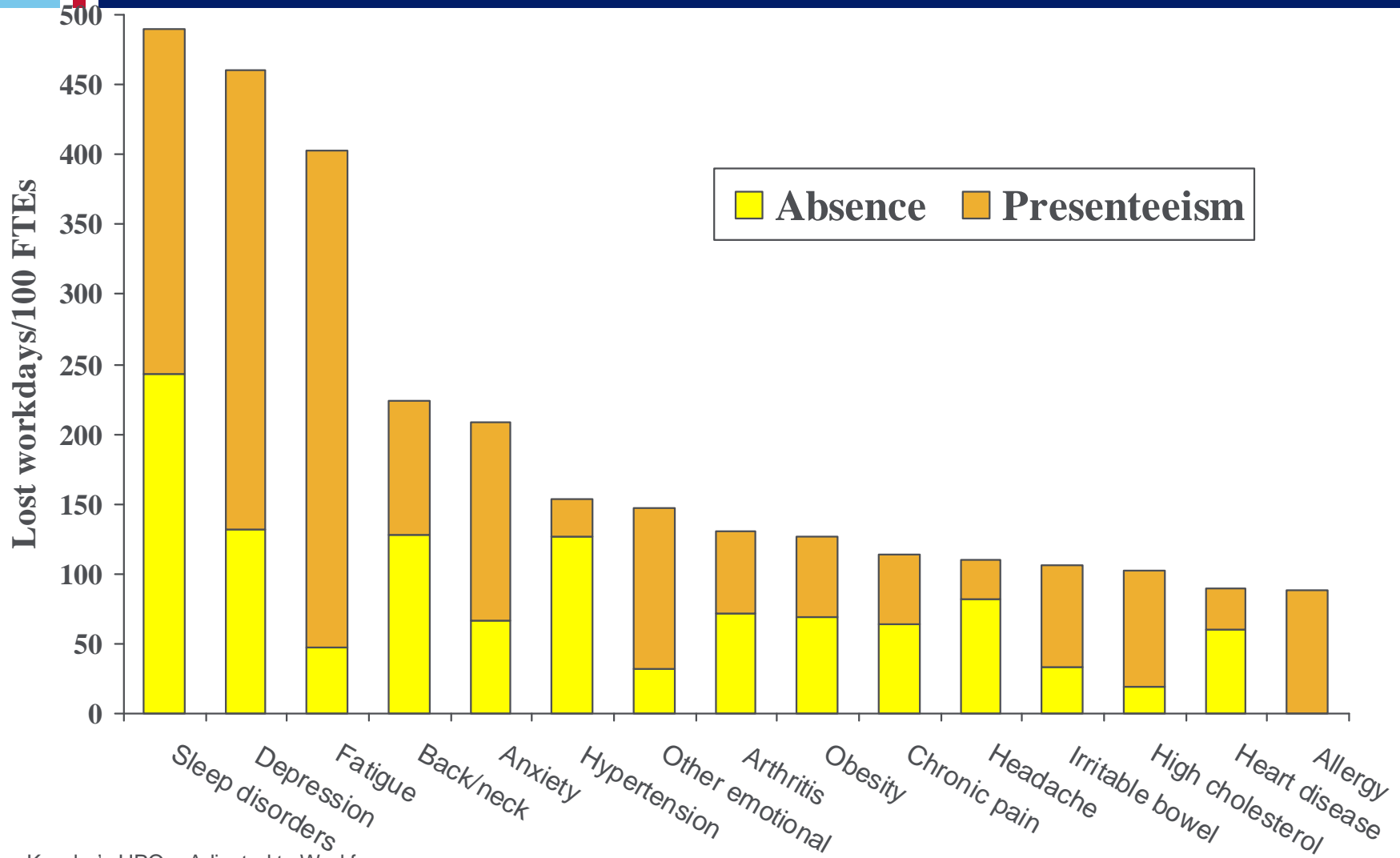
# Stress is a contributing risk factor to business performance...

- Employee lost time “away” from work and employee medical costs.
- Employee lost productivity while “at work”.
- Employee turnover.

# Stress: The Root of All Evil?

- **Work-related stress:** harmful physical/emotional responses that occur when job requirements do not match an employee's capabilities/resources/needs
- Top 3 causes:
  1. How the job is defined
  2. Work group environment
  3. Relationship with supervisor
- Changes in employee health relate directly to positive/negative changes in leadership, organizational commitment and reporting job strain

# Top 15 Drivers of Lost Work Time



Source: Kessler's HPQ – Adjusted to Workforce

# The Stress Disconnect

- Despite the impact that stress has on employees (and organizational) organizations are unaware of the impact of stress on the workforce
  - Organizations fail to list stress among top 5 reasons employees leave, while employees rank stress #1

| <b>Organization View</b>     | <b>Employee View</b>           |
|------------------------------|--------------------------------|
| Base pay                     | Stress levels                  |
| Career development           | Base pay                       |
| Promotion opportunities      | Work/Life balance              |
| Relationship with supervisor | Promotion opportunities        |
| Work/Life balance            | Trust/confidence in management |

2008/2009 Global Strategic Rewards® Study – Canadian Findings

# The Business Case for HPM

- Many of “top 10” health conditions in terms of total workplace costs tied to/affected by stress
- Research supports the impact of wellness programs on employee health
- As health is a performance driver, “healthy” organizations should experience superior performance while reducing health-related costs



# Linking Research to Organizations: *Staying @Work* Survey Results

- Workplace stress leads to increased health care costs due to workplace injuries, presenteeism, absenteeism, and higher healthcare costs.
- **Effective** H&P programs can help reduce workplace stress and associated costs
- Canadian and U.S. versions of Watson Wyatt's *Staying @Work* (S@W) surveys show many organizations **lack tools and knowledge** to measure program effectiveness
  - Those that do see a positive impact on their employees and their bottom lines

## S@W Highlights - Canada

- Average Canadian participating organization spending over **\$10.5 million** annually on total absence claims
- Mental health claims the most frequent disabling condition for both STD (82%) and LTD (72%)
- Respondents willing to commit resources to H&P programs, but are unclear whether they actually improve employee H&P
- Organization measured against the H&P Scorecard can considerably improve overall health

## S@W Highlights – United States

- Depression and stress have greatest correlation with higher health care costs, lost time and work impairment
- Productivity losses related to personal and family health problems cost U.S. employers \$1,685 PEPY or **\$225.8 billion** annually
- H&P cost trends outpace inflation and account for more than 20% of company payrolls

# Impact of H&P Programs on Business Performance

- Companies with the most effective H&P programs had a 75% TRS from 2004 through 2006
  - Also had 16% higher market value and 20% more revenue per employee

|                   |        | Average market premium* | 3-year TRS (2004-2006) | Revenue per employee (thousands \$) |
|-------------------|--------|-------------------------|------------------------|-------------------------------------|
| H&P effectiveness | High   | 42%                     | 75%                    | \$505                               |
|                   | Medium | 17%                     | 58%                    | \$450                               |
|                   | Low    | 10%                     | 48%                    | \$412                               |

TRS: Total returns to shareholders - change in stock price plus dividends (2004-2006 ÷ 2004)

Market premium (or Tobin's Q): Ratio of the market value of equity plus book value of debt divided by the book value of assets

Productivity proxy: Revenue per employee with adjustments

Source: 2007/2008 Staying@Work (US)

# The Link Between Health and Productivity

- Profitable employers:
  - View **human capital** as a top priority
  - Believe there is a need to **differentiate, attract and retain** high value employees
  - Have adopted **total rewards** as an employer of choice feature
  - Acknowledge that **significant stress** is felt in the workplace
  - Recognize the performance return in “connecting the dots” of **HR policies and health programs to business outcomes**

# Effective Employees

## Watson Wyatt's Four-Factor Model

Motivated to help the organization succeed

Have the training, resources, tools, and equipment they need to do their jobs

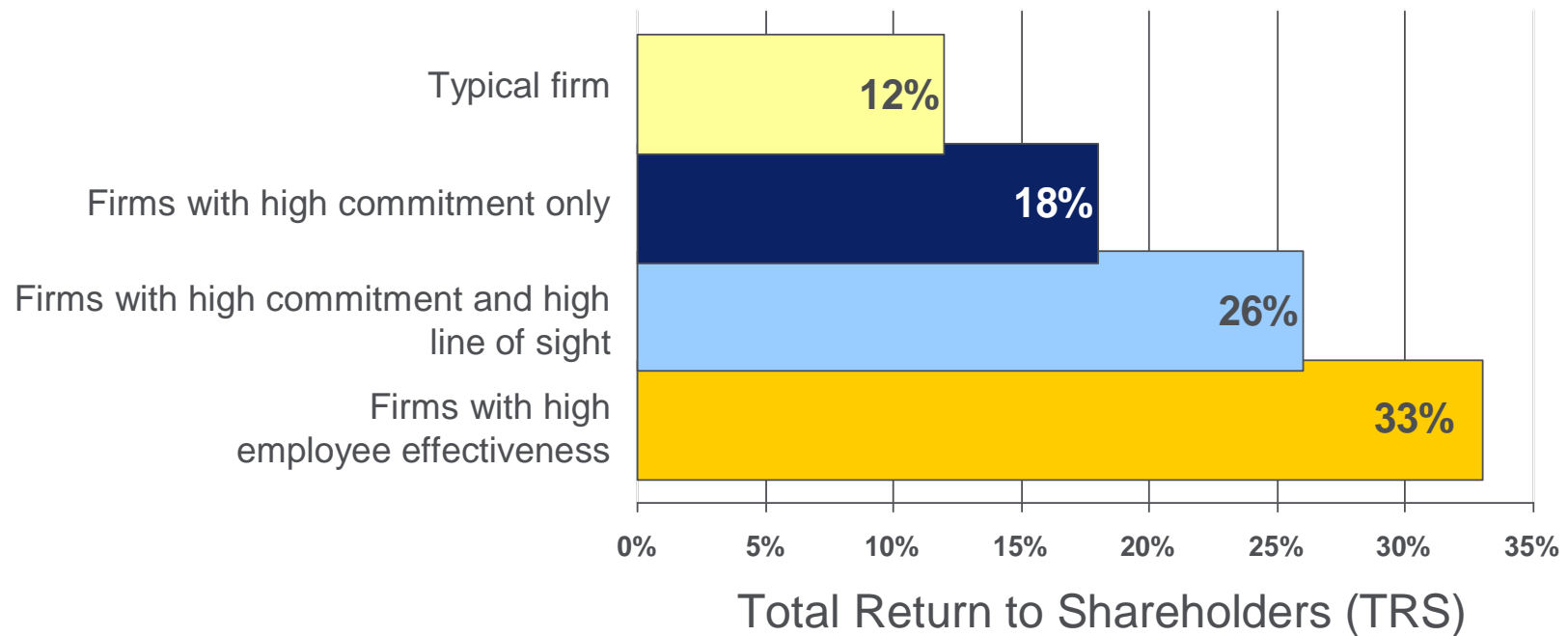


Know what to do to make the organization successful

Understand and live up to their organization's values and expect the same from others

# Employee Effectiveness and Business Performance

Companies with employees that are high on all four factors have TRS that are almost **3x** the typical\* firm



\*Typical firm is based on the average of all companies represented in WorkUSA 2006/2007

# What Companies are starting to do differently and better....

- Targeting and measuring health and productivity business metrics
- Deeper dive diagnosis of their HR and Health programs
- Calculating the cost of “doing nothing”
- Prioritizing cost of interventions to best bets for successful business outcomes (*efficient frontier*).
- Scorecard results to plan and measure future improvements.



# Linking organizational health with workforce health



# Workforce Health & Effectiveness Pathway



## Practices and Programs

Health Programs



Workforce Effectiveness



## Healthy and Effective Workforce

Improved Workforce Health



Improved Workforce Effectiveness

## Human Capital and Financial Outcomes

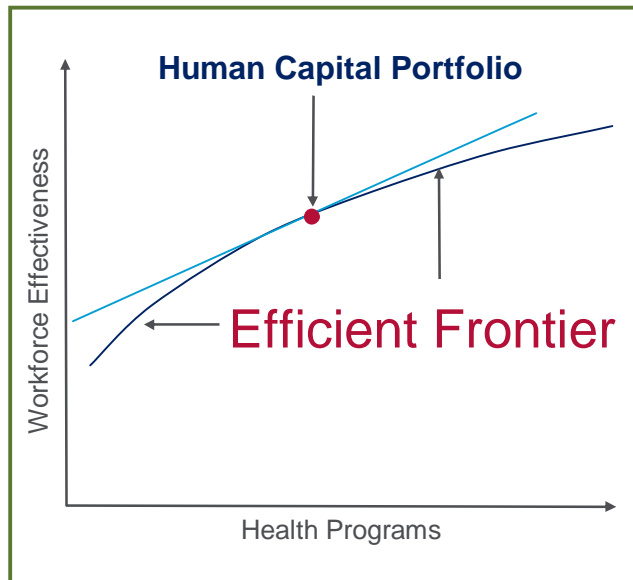
Improved Worker Productivity

Increased Turnover Savings

Improved Benefit Cost Management

Higher TRS

high yield human capital



*Human Capital Strategies work much like a traditional investment portfolio strategy:*

- Where are **you** relative to high performers?
- What are your **best business opportunities**?
- What is an acceptable **ROI or EBITDA**?

# Opportunity Cost Modeling

*To successfully impact the areas of concern and achieve short-term productivity objectives, organizations must first:*

- Determine the “*cost of doing nothing*”
- Determine cost impact of achieving a desired state.
- Opportunity Cost determined by closing the gap in the drivers of:
  - workforce effectiveness
  - Health programs effectiveness

# Pathfinder: identifying the right opportunities to improve workforce performance

We score the 6 Pillars of Health Programs and Employee Effectiveness



The “factors” of the 6 Pillars are measured and weighted before a final assessment is scored.

(bold are high return potential for this example)

#### Prevent

- Health & Safety
- Social/Psychological
- Health Promotion/Wellness
- Presenteeism Management

#### Return

- Absence Management
- Disability Management
- Disease Management

#### Support

- Benefit Program Management
- Communication
- Financial Management
- Vendor Management

#### Reward

- **Performance Management**
- **Hiring & Advancement**

#### Lead

- **Customer Focus**
- **Innovation**
- **Respectful Treatment**

#### Communicate

- Communication
- Supervision

# Your Investment Guide



Pathway to success... links weighted scores to best opportunities

LOW

MID-RANGE

HIGH

Sample

|                         | Category    | Your Score | IMPACT             |                        |                        | PRIORITY   |           |                   |
|-------------------------|-------------|------------|--------------------|------------------------|------------------------|------------|-----------|-------------------|
|                         |             |            | Impact on Turnover | Impact on Program Cost | Impact on Productivity | Timing     | Cost      | Return            |
| HEALTH Programs         | Prevent     | High       | ✓                  | ✓                      | ✓                      | Long term  | \$150 000 | \$2.5M<br>5:1 ROI |
|                         | Support     | Mid-Range  | ✓                  | ✓                      | ✓                      | Mid term   | \$250 000 |                   |
|                         | Return      | High       | ✓                  | ✓                      | ✓                      | Short term | \$60 000  |                   |
| Workforce Effectiveness | Communicate | Mid-Range  | ✓                  | ✓                      | ✓                      | Short term | \$150 000 |                   |
|                         | Reward      | High       | ✓                  | ✓                      | ✓                      | Long term  | \$250 000 |                   |
|                         | Lead        | Mid-Range  | ✓                  | ✓                      | ✓                      | Mid term   | \$60 000  |                   |

# Moving Forward: Addressing and Improving H&P

- To successfully address areas of concern and achieve business and H&P outcomes, companies must first:
  - Evaluate the current state of drivers of organizational health practices and workforce health practices
  - Determine the *cost of doing nothing*
  - Determine the cost impact of achieving a desired state
  - Evaluate the opportunity cost determined by closing the gap between the present and desired state

# Targeted H&P Investments Will...

Reduce stress

Reduce absence and disability costs

Reduce turnover and replacement costs

Improve employee effectiveness

Improve attraction and retention

Improve business outcomes



## Extending EAP's reach

- Become an EEAP services provider( *Employer* and *Employee Assistance Program*).
- Think outside your comfort space and into new market space
- Make Resilience Training part of your services portfolio
- Understand that the employment deal will look much different after the recession and EAP firms may have to recalibrate their services to compete
- Establish alliances or partnerships to grow market share....ie: Insurance industry; specialty firms like Compsych, and Elibay; etc.

# Questions and Contact Information

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