

# EMPLOYEE VITALITY

Calculating a Return on your Workplace Wellness Investment

# VITALITY WORKS' WELLNESS PROGRAMMES WORK: PROVEN RESULTS EXCEED AN ROI OF 3:1



# PROGRESSIVE EMPLOYERS RECOGNISE THE IMPACT HEALTH AND PRODUCTIVITY MANAGEMENT HAS ON THE BOTTOM LINE



## Introduction

Many New Zealand companies now understand the link between employee health and productivity. This relatively new concept is known as Health and Productivity Management (HPM). Led by a forward-thinking corporate health services sector and backed by good academic research, progressive employers see the value of HPM as a strategy to improve staff engagement, productivity and ultimately the business' bottom line.

From a Return on Investment (ROI) perspective, spending money on workplace wellness initiatives is a sound business decision, with over 600 published studies documenting the financial benefits. Conservatively, the average ROI for New Zealand workplace wellness programmes exceeds 3:1. Improving employee health is a proven way of lifting the performance of the New Zealand workforce.

### Why ROI?

One of the difficulties of determining the value of wellness programmes is the intangible nature of human resources. How do you turn wellness interventions into bottom-line paybacks? How do you show the real effects of a wellness programme on an organisation's performance? The purpose of this white paper is to step you through the process of placing a dollar value on your organisation's wellness programme. Clearly understanding, and being able to articulate, the financial payback of your programme will ensure continued "buy-in" and support from senior management.

The measurable financial benefits arising from implementing worksite wellness programmes include:

- Decreased expenditure on employee absenteeism
- Improved productivity/decreased presenteeism
- Decreased expenditure on occupational injury/work cover claims
- Decreased expenditure on Employee Assistance Programme (EAP)
- Increased retention
- Improved employee engagement

The harder to measure or intangible benefits arising from implementing worksite wellness programmes include:

- Becoming an Employer of Choice – attraction of key talent
- Improved corporate social responsibility – sustainability, community responsiveness, public image
- Improved customer service
- Improved innovation and creativity – effectiveness, quality of work

Effective workplace wellness programmes ensure that the goals of the wellness programme align with corporate strategy, are supported by management and work towards building a sustainable culture of health and wellbeing within the organisation. This can only be achieved by measuring and evaluating a wellness programme.

# A STRONG RESEARCH FOCUS MAKES VITALITY WORKS A LEADER IN NZ HEALTH AND PRODUCTIVITY MANAGEMENT



## Your Workplace Wellness Partners

Vitality Works is rapidly gaining a reputation as leaders in New Zealand Health and Productivity Management. Having a strong research focus allows us to take advantage of new research outcomes and methods, helping us to inspire health in your workplace.

### Our Directors



**Clara Soper, PhD**

Dr Clara Soper is qualified in Sport and Exercise Science. Clara is a founding partner and leads the experienced workplace health team at Vitality Works. She has a real passion for measuring and evaluating the effectiveness of our clients' workplace wellness programs. Clara has authored several international research papers and was awarded the International Emerging Sport Scientist award in 1998. She reviews and evaluates latest health research, keeping Vitality Works at the forefront of the employee health and productivity industry. Clara works closely with her expert team to ensure that Vitality Works is renowned for its inspirational customer service.



**Louise Schofield, PhD**

Dr Louise Schofield is qualified in public health and has expertise in workplace health and wellness. Louise specialises in developing wellness interventions that achieve sustainable behavioural change, and is a founder of Vitality Works. She is the author of several international research papers and a regular speaker at national and international conferences. One of Louise's primary roles in our executive wellness programme is to inspire health and assist senior managers and executives to be peak performers in all aspects of their life.

## Determining the ROI of your organisation's wellness programme: 6 Step Process

1	Determine your improvement priorities
2	Select which measurement method you are going to use
3	Collect your baseline data
4	Implement your wellness programme
5	Repeat your measurement
6	Calculate your Return on Investment

Table 1. Different methods of quantitatively assessing the ROI of your wellness programme.

Method	Considerations
<p><b>1) Health and Work Performance Questionnaire (HPQ) Method</b> Kessler et al., 2003</p> <p>The HPQ is a short 11-item questionnaire that generates valid data about the indirect workplace costs of employee health problems.</p> <p>Vitality Works has a fast, cost effective ROI service using this internationally recognised method.</p>	<p>Need to administer the HPQ prior to and following wellness interventions.</p> <p>Cost effective tool which is easy to implement.</p> <p>Requires expertise in the analysis and interpretation of data.</p>
<p><b>2) Staff Climate/Engagement Survey</b> e.g. Best Places to Work Survey</p> <p>Employees complete a confidential survey about their workplace, in which they identify both the positive aspects of the workplace, and those areas that need work. Many NZ organisations already implement an annual staff climate survey as part of their normal Human Resources monitoring processes. This method allows you to calculate ROI as a result of the wellness programme increasing staff engagement.</p>	<p>Depends on whether timing of survey fits in with a pre and post wellness intervention plan.</p> <p>Cost effective method of measurement as the staff survey is often already being done.</p>
<p><b>3) In-House Method</b></p> <p>Using information already being recorded by your Human Resource department you can directly measure changes in the average number of days absent from work for the employees who are going to participate in the wellness programme. This method relies on the quality of your 'sick leave' data.</p>	<p>Access to and the quality of your absenteeism data.</p> <p>Access to and the quality of your EAP expenditure, injury/work cover claims data.</p>
<p><b>4) Employee Health Risk Method</b> (Musich et al., 2006)</p> <p>The employee health risk method utilises the proven relationship between health metrics and self-reported presenteeism and measured absenteeism. That is, the greater the number of health risks you have the greater the time lost due to being: (1) absent from work (absenteeism) or (2) less productive when at work (presenteeism).</p> <p>For further information on this method contact Dr Clara Soper (clara@vitalityworks.co.nz).</p>	<p>Ability to complete health risk assessments prior to and following your wellness intervention.</p> <p>Best applied to white collar office based employees.</p>

## Determining the ROI of your organisation's wellness programme: 6 Step Process

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### Determine your improvement priorities

Choose outcomes that will be most important to your organisation. In order to do this you need to first understand what the key drivers of your organisation are. For example, it could be customer satisfaction and/or corporate social responsibility (a common key driver for the banking industry); it could be innovation and retention of key staff (e.g. IT Industry, Government funded research agencies); it could be to reduce the burden of absenteeism (e.g. manufacturing and blue collar); improve morale and team work (e.g. retail); increase staff engagement and reduce presenteesim (e.g. call centre environments).

Select a maximum of 3 improvement priorities for your organisation

- Try to select at least 1 improvement priority from the 'measurable financial benefits' listed on Page 5
- Avoid determining ROI on every initiative you implement throughout the year
- Where possible find out the monetary value (the cost) of the key issue (e.g. absenteeism) to your organisation

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### Select which method you are going to use

There are a number of different ways that ROI can be measured. Table 1 (Page 9) provides an outline of 4 different ways of determining ROI following a wellness intervention. Each has its benefits and limitations and each requires different information. You will find that your organisation may already collect some of the required information and therefore that particular method may be most suited for you.

3

### Collect your baseline data

Once you have decided which measurement method you are going to use to assess ROI, you need to collect baseline information on those employees participating in the wellness programme. These data have to be collected prior to the start of the initiative.

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### Implement your wellness programme

Remember the best wellness programmes are not only fun and have high staff participation, but also actually get results... in other words they change behaviour.

- Understand your environment (consider doing online Health Risk Assessments, wellness audits, health checks)
- Educate and inform (seminars, webinars, posters, workshops)
- Behaviour change programmes (Official 10,000 Steps® Programs, ChallengeMe™, Weight loss programmes, smoking cessation)
- See [www.vitalityworks.co.nz](http://www.vitalityworks.co.nz) for more information on what wellness programmes are available and most suited to your organisation

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### Repeat your measurement

Using the same method as chosen in Step 3, repeat the measurement on all participants. To increase the likelihood of behaviour change and therefore increase your ROI it is recommended that the wellness initiative being assessed runs for a minimum of 6 weeks.

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### Calculate your Return on Investment

A step-by-step guide to each ROI analysis method is provided in the following sections.

- Health and Work Performance Questionnaire
- Staff Climate/Engagement Survey
- In-House Method

CASE STUDY EXAMPLES AND MEASUREMENT TOOLS

**Method 1 Health and Work Performance Questionnaire (HPQ)**

Kessler et al., (2003)

The following provides a step-by-step guide to determining the ROI using the Health and Work Performance Questionnaire (HPQ) as outlined by Kessler et al., (2003). The workings are actual data from a New Zealand organisation who implemented a 3 month Official 10,000 Steps® Program. The analysis uses questionnaire data collected from participants prior to and following the team challenge.

Organisation Description	Intervention Type	Identified Improvement Priority	Measurement Tools	ROI
<ul style="list-style-type: none"> <li>Public organisation</li> <li>1,200 employees</li> <li>60% uptake</li> <li>Analysis on random sample of 12.5% of participants</li> </ul>	Official 10,000 Steps® Program	Absenteeism and productivity	HPQ	After 3 month intervention <b>3:1</b>

The HPQ was developed by Professor Ron Kessler to support the World Health Organisation (WHO) Global Burden of Disease initiative (Kessler et al., 2003; Kessler et al. 2004). The “short form HPQ” is a questionnaire that generates valid data about the indirect workplace costs of employee health problems.

For more information go to:  
<http://www.hcp.med.harvard.edu/hpq/info.php>

**What was the level of absenteeism & presenteeism in your workplace prior to and following your wellness programme?**

In our case study, employees completed the short form HPQ in which they were asked 11 questions about their work hours in the previous month. One month following the wellness programme the same employees repeated the questionnaire.

**What was the change in absenteeism & presenteeism?**

Employees were asked to recall the hours worked in: (1) the month prior to participating and (2) the month following participation in the wellness programme. Employees reported being at work on average 4.8 hours more per month after participation in the wellness programme.

Presenteeism is a measure of how productivity is affected by an employee’s health status i.e. presenteeism will be greater (and therefore the employee is less productive) for an employee who is classified as having poor health, compared to an employee classified as having good health.

Using the validated HPQ the average rating of productivity for this organisation’s employees prior to the start of the wellness programme was 77%.

Following participation in the wellness initiative the average rating of productivity for staff in this organisation increased to 78%. This 1% average increase in productivity is related to the 4.5% overall improvement in employees’ Health Risk Assessment scores and contributes to the ROI gains.

\$65,000	Average salary
÷ 1,950	Annual hours worked (52 weeks x 37.5 hours)
\$33.33	Average hourly rate
4.5 hours	Hours gained per month
x 3 months	Length of wellness programme
14.5 hours	Increased hours at work during wellness program
14.5 hours	Increased hours at work during wellness program
x \$33.33	Average hourly rate
\$482.90	Return on investment per employee participating
3.1:1	Return on investment*

\* These calculations are actual analysis completed for a large NZ government organisation following the implementation of a 3 month wellness programme. They are conservative estimates of ROI as the benefit sustained following the completion of the programme was not included and the long term effects of some benefits will vary.



CASE STUDY EXAMPLES AND MEASUREMENT TOOLS

Method 2 Staff Climate Survey

The following provides a step-by-step guide to determining the ROI using a Staff Climate Survey commonly implemented by employers on an annual basis. The workings are actual data from a New Zealand organisation who determined ROI when their employee engagement score increased by 5% from 74% to 79% in 12 months.

Organisation Description	Intervention Type	Identified Improvement Priority	Measurement Tools	ROI
<ul style="list-style-type: none"> <li>• White collar</li> <li>• 200 employees</li> <li>• Public sector</li> </ul>	Behaviour change programme	Retention	Staff engagement survey e.g. Best Place to Work (www.jra.co.nz)	1.5:1

What is your current level of staff engagement?

You can get this value from recent staff climate surveys such as the Best Places To Work (BPTW) Surveys. 74% (BPTW 2006 Benchmark).

What is a realistic “increase” that the wellness programme may have on this?

Depending on your wellness initiatives and long term programme you should aim for at least a 5% improvement in staff engagement and at most a 10% improvement.

What increase in retention will this have and what is the monetary value of this cost saving?

Staff replacement costs are said to vary between 0.5 and 2.5 times the annual salary of a new recruit (www.jra.co.nz).

An average NZ organisation employing 200 people can hope to save around 5 staff from leaving every year following a 10% increase in employee engagement.

At least...

\$32,000	Average NZ Salary
x 0.5	
\$16,000	Minimum cost of replacing a staff member
x 2.5	Staff deciding not to leave due to increased engagement
\$40,000	Cost saving due to reduced staff replacement cost

At most...

\$32,000	Average NZ Salary
x 0.5	
\$16,000	Minimum cost of replacing a staff member
x 5.0	Staff deciding not to leave due to increased engagement
\$80,000	Cost saving due to reduced staff replacement cost

What is the ROI?

You first need to determine the true cost of your wellness initiative. Remember to take into account not only any supplier costs if applicable but also the cost of any salaried time from within your organisation.

\$150	Cost of wellness programme per employee
x 200	Number of employees in your organisation
\$30,000	Total cost of wellness programme

Conservatively using an increase in engagement of 5% and therefore a conservative reduction in staff replacement costs of \$40,000...

At least...

\$40,000	Cost saving due to reduced staff replacement cost
÷ \$30,000	Total cost of wellness programme
1.33	
1.3:1	Return on investment

At most...

\$80,000	Cost saving due to reduced staff replacement cost
÷ \$30,000	Total cost of wellness programme
2.67	
2.7:1	Return on investment

And of course increased retention is just one of the positive outcomes of implementing a wellness programme.



## CASE STUDY EXAMPLES AND MEASUREMENT TOOLS

### Method 3 In-House Method

The following provides a step-by-step guide to determining the ROI using data commonly available from your Human Resources departments. The workings are actual data from a large private organisation who implemented the Official 10,000 Steps® Program accompanied by some nutrition education. The analysis uses sick leave data collected by the Human Resources Department on a daily basis.

Organisation Description	Intervention Type	Identified Improvement Priority	Measurement Tools	ROI
<ul style="list-style-type: none"> <li>Private organisation</li> <li>2,500 employees</li> <li>98% participation rate</li> </ul>	3 month physical activity, behavioural change programme	Absenteeism	Human resources employee data	During a 3 month intervention <b>2.55:1</b>

#### How many days on average do staff take off annually?

Your Human Resource department is the usual place to find this information. Take into consideration the accuracy of this data:

- Are you able to identify the annual number of sick days taken for personal sickness compared to leave taken to care for minors or dependents?
- Is all (or the majority) of sick leave taken by staff recorded for?
- Are you able to identify sick days taken by those who are participating in the wellness programme?

Due to 98% of employees participating in this organisation's wellness programme the absenteeism data for the entire group could be reviewed for the 12 months leading up to the start of the wellness programme.

$$\frac{9.5 \text{ Average number of sick days taken per employee in the 12 months prior to the wellness programme starting}}{\div 12} = 0.8 \text{ Average number of sick days taken by an employee per month prior to the wellness programme starting}$$

#### What is the change in absenteeism rates during the implementation of the wellness programme?

$$\frac{1.0 \text{ Average sick days/employee during wellness programme}}{\div 3 \text{ Duration of wellness programme}} = 0.3 \text{ Average sick days/month during wellness programme}$$

$$\frac{0.5 \text{ Sick days saved per month}}{\times 3 \text{ Duration of wellness programme}} = 1.5 \text{ Sick days saved/employee during wellness programme}$$

$$\frac{1.5 \text{ Sick days saved/employee during wellness programme}}{\times 2,450 \text{ Participants in the wellness programme}} = 3,675 \text{ Total days saved during the wellness programme}$$

#### What is the ROI?

$$\frac{\$17.00 \text{ Average hourly rate} \times 8 \text{ Hours}}{\text{---}} = \$136 \text{ Wages per day}$$

$$\frac{\$136 \text{ Wages per day} \times 3,675 \text{ Total days saved during the wellness programme}}{\text{---}} = \$499,800 \text{ Total savings in sick leave pay}$$

$$\frac{\$80.00 \text{ Cost of wellness programme per participant} \times 2,450 \text{ Participants in the wellness programme}}{\text{---}} = \$196,000 \text{ Total cost of wellness programme}$$

$$\frac{\$499,800 \text{ Total savings in sick leave pay}}{\div \$196,000 \text{ Total cost of wellness programme}} = 2.55$$

**2.5:1 Return on investment**

#### References

Kessler, R.C., Barber, C., Beck, A.L., Berglund, P.A., Cleary, P.D., McKenas, D., Pronk, N.P., Simon, G.E., Stang, P.E., Üstün, T.B., Wang, P.S. (2003). The World Health Organization Health and Work Performance Questionnaire (HPQ). *Journal of Occupational and Environmental Medicine*, 45(2), 156-174.

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