How Social, Leadership and Technology Innovations are Transforming the Workplace in the Digital Economy
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Work on the Move 2

How Social, Leadership and Technology Innovations are Transforming the Workplace in the Digital Economy

Edited by Diane Coles Levine and Nancy Johnson Sanquist
Work on the Move 2

How Social, Leadership and Technology Innovations are Transforming the Workplace in the Digital Economy

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Foreword

After 20 plus years of being surrounded by real estate professionals, facility planners, interior designers and workplace strategists, you start to develop a sense of who is driving the actionable thought leadership, and meaningful change in the industry. What I have discovered is that the real influencers are comprised of a fairly small group. They cross many disciplines, have varied backgrounds and geographic perspectives. They frequently intersect at industry forums, association events, and often cite each other’s research. You will find them driving the debate, asking the challenging questions, and synthesizing content to draw fresh new perspective on well covered topics. In this case, they have co-authored *Work on the Move, 2: How Social, Leadership and Technology Innovations are Transforming the Workplace in the Digital Economy*, an epic and very opportune collaboration.

There has likely never been a more important time to immerse ourselves in “what’s next,” and to bring each other along in this knowledge and innovation journey, as the new realities seem to evolve faster than they can be absorbed.

In virtually every industry, there is a digital transformation occurring. Unless you are part of a newly formed industry, your organization is likely in a race to pivot strategy, and create a new platform (or be connected to one). The stakes are high, as this momentous change will determine your future industry leadership for the next generation. All too often, constraints related to the workplace regulate the pace of change. Delaying strategy implementation for 12 to 18 months won’t be an option in the future. Workplace and real estate strategies have quickly become a critical competitive advantage. It’s evident by the cover pages found on the magazine stand, and the barrage of research published by the top consulting firms in the world.

Fifteen years ago it became evident that business leaders required a much higher level of technological savvy. In the last five to 10 years, innovation acumen has become a prerequisite. Today, Chief Executive Officers are discovering the critical link between business strategy, building and system design, and the smart workplace. Interior designers, real estate professionals, and facility leaders will become much more accustomed to the board room over the next few years. If you are interested in having or retaining a seat at the table, you need to grasp the concepts shared in this book, begin to understand the patterns that have developed, and synthesize your organization’s business strategy, to help lead your company through a critical transformation.

Optimizing agility with stability, converting fixed assets into a variable cost, and capturing real time big data that can be immediately distributed into actionable insight are just a few critical topics discussed in this book. Albert Einstein is credited for saying, “the definition of genius is taking the complex and making it simple.” The ideas and research conveyed by these authors in a simple, yet sophisticated format, provide an important framework by which your organization’s strategic advantages can be built.

What role will you play in defining the future? Is your strategy improving the lives of your employees, and also leading to a more effective workplace? Join the conversation, and help lead the change of work on the move.

Mike Wagner
President, Kimball Office

Kimball®Office
A Message from the IFMA Foundation

The IFMA Foundation is pleased to present this second edition of *Work on the Move*. The first edition was released in 2011 and proved to be the most popular IFMA Foundation book to date. It broke new ground in the facility management profession and eventually led to the development of significant events – the first “Workplace Strategy Summit” at Cornell University in 2012 and the second “Workplace Strategy Summit” held in conjunction with the University College London in 2014. There have been many sessions at different facility management, corporate real estate, human resources and technology conferences and meetings. The enthusiasm around the topic and events also created the foundation of a special interest group within IFMA called the “Workplace Evolutionaries.” While these outcomes weren’t planned, they underscore the importance of workplace strategy, the passions and interest of those involved, and the need for organizations to carefully consider these social, leadership and technological transformations before simply going with the latest trend.

The first edition proved to be an invaluable guide for those interested in taking a leadership role in the changing workplace. Like the first edition, this edition should serve as an essential resource and thought provoker for industry-leading facility managers, not to mention professionals in information technology, human resources and others willing to lead the way with bold workplace strategies to change the way we work. The Foundation expects this version will also result in continued “Workplace Strategy Summit” events and more professionals from multiple industries engaging with IFMA’s Workplace Evolutionaries and the Real Estate Advisory and Leadership (REAL) and communities.

The IFMA Foundation is focused on attracting and preparing the facility management workforce of the future. We serve as the accrediting organization for over 30 universities and colleges that grant bachelors, masters and PhDs around the world. We provide scholarships for hundreds of students to support their efforts to join our profession, and finally, we created the Global Workforce Initiative (GWI) to make younger students, including high school and community college learners, aware of the facility management profession.

With support from organizations like Trimble and C&W Services, the board of trustees and local IFMA chapters are working with communities such as San Bernardino County, Silicon Valley and New York City to attract young people to prepare for the many facility management jobs that will become available due to the retirement of baby boomers in the field. We feel that the *Work on the Move* books, and this latest edition in particular, will be of great value to the teachers and professors who realize that FM is part of a larger industry of the built environment which requires new skillsets, alliances and the integration of people, process, place and technology like never before.
This book would not have happened without the generous financial support of IFMA Foundation sponsors and underwriters. The IFMA Foundation hopes you will support our sponsors as much as they support the future of the FM profession. Equally as important, we acknowledge the long list of passionate IFMA Foundation volunteers willing to give of their most valuable resource—their time—in making the Foundation’s vision a reality. We invite you to get involved with the exciting work of the IFMA Foundation and help make facility management a career of choice.

The IFMA Foundation recognizes Foundation past-chair Diane Coles Levine, MCR, and IFMA Fellow and IFMA Foundation Trustee Nancy Johnson Sanquist who have provided tireless leadership and vision in championing the continuation of *Work on the Move* and all of the related programs that have evolved. And finally, the Foundation formally thanks the many distinguished authors, project managers and volunteers who have donated their knowledge and time; without their generous participation, none of this would exist.

**Jeffrey J. Tafel, CAE**

*Executive Director, IFMA Foundation*
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Well-Being in the Workplace

Kate Lister and Tom Harnish
THE IDEA IN BRIEF

Employees are every organization’s most expensive and most valuable asset, yet we continually make thoughtless decisions (e.g., real estate, furnishings, etc.) that cripple their productivity and ignore the less visible but more impactful options. *Employees are so valuable that an increase in productivity of just eight minutes a day, for a year, would entirely offset their annual occupancy costs.*

However, people cannot be engaged or perform their best when they are suffering physically or psychologically. Nearly 9 out of 10 employees suffer from one or more chronic conditions, yet most can be prevented with lifestyle changes.

*While more than 90 percent of employers feel that wellness and well-being programs improve employee performance, only 11 percent have made a strategic commitment to help their people lead healthier lives.*

The business case is clear: it is in an organization’s own best interests to invest in employee well-being.

THE IDEA AT WORK

There is no quick fix for employee well-being, but getting started can be as simple as:

- Adding healthy choices to on-site food options,
- Encouraging walking or standing meetings,
- Offering flexibility in where and when people work,
- Giving people autonomy and managing them by results,
- Discouraging overworking.

HISTORY OF THE IDEA

- Basic concepts date back 4,000 to 5,000 years to early Hindu and Chinese medicine.
- After World War II, fitness became part of employee benefits.
- In the 1970s quality of work life was briefly popular and faded in the early 1980s.
- Health promotion followed in 1990 with a focus on wellness.
- Wellness concept expanded in the 2000s to include “whole person” - physical, mental, and social.
- Skyrocketing healthcare costs drive increasing emphasis on prevention.
- Financial and spiritual health are recent additions to the concept.
- Proven return on investment drives well-being today.
EXECUTIVE SUMMARY

Poor health and well-being aren’t just your employees’ problems — they’re yours, too. As mentioned previously, nearly 9 out of 10 employees suffer from at least one chronic disease. The impact on healthcare costs and even absenteeism is dwarfed by what poor physical and mental health does to a person’s productivity and performance. Ultimately, it robs employers of 78 person years of work for every thousand people that they employ. In addition, poor health, financial worries, work-life conflict and other well-being issues negatively impact employee engagement, job satisfaction, creativity, innovation, team performance, customer satisfaction, quality of work, employee retention and more. The good news is that nearly 8 out of 10 chronic diseases can be avoided with lifestyle changes.

Sadly, while the overwhelming majority of employers acknowledge that employee health and well-being is important to business success, an appallingly low number of them have adopted strategic solutions to the problem. Isolated interventions, off-the-shelf solutions to the problem du jour and similarly easy-fix solutions do not begin to address the larger issue of well-being.

What employers tend to forget is that the whole person, not just the “employee,” comes to work each day and goes home each night. And with them come and go all of their thoughts, worries, frustrations, aches, pains, ailments and more. Helping employees be their physical and psychological best is not just a good idea; it is critical to your organization’s success and sustainability.

INTRODUCTION

An average employee’s salary is more than ten times greater than the cost of the office they occupy, and what companies pay them is 11 times more than their contribution to healthcare plans (BLS 2016).¹ Those are big multiples, but an employee’s value is far, far greater than the amount they receive as a salary.

People aren’t hired to simply offset their salary. They’re supposed to create a multiple of it so their employer can make a profit. In the financial services sector, for example, a typical multiple of revenue to payroll is six to one. So, someone making $70,000² a year ($46,500 plus benefits) should produce, on average, $420,000 in revenue. That’s more than 40 times the cost of their office and 28 times their healthcare costs (BLS 2016).

With a few exceptions, no matter how much capital an employer has tied up in traditional assets, such as real estate or equipment, an organization’s people costs trump them all. While most employers act like they understand this, few walk the walk by embracing their employees as not just their most expensive asset, but their most valuable one as well.

It is people who create shareholder value and ensure sustainability. That’s why it is critical that they are given all they need to function at their best.

¹ Average employee compensation is $33.94 per hour including $23.25 per hour for wages and salaries, $2.98 per hour for health insurance, and $7.71 per hour for other benefits and taxes. Assumes $10,000 annual per person for occupancy.
² U.S. average.
The Return on Investment of People

Nowhere is the lack of appreciation for the real value of people more evident than in the trend toward slashing real estate costs, which forces people into one-space-fits-all solutions. In recent years, that solution has often presented itself as an open office due to its presumed cost efficiency. This goes against both common sense and science, which shows that without a choice of other places to work those very expensive and valuable employees will be more stressed, less satisfied, less innovative, and less productive. In other words, it’s false economy.

Here’s the reality that most fail to consider in their myopic pursuit of lowering costs: if an employee loses just six minutes of productivity a day as a result of their office environment, i.e., problems with technology, poor ergonomics, bad lighting, etc., it entirely negates the hoped for savings from eliminating their office (see Figure 1, Occupancy Costs vs. Employee Productivity). Eliminating office space may be tangible, but if unintended consequences make it harder for employees to do their jobs, the loss of productivity can completely negate the real estate savings.

The same kind of false economy undermines employee well-being. The real cost of poor employee health and well-being is not medical or pharmaceutical costs. It’s not even the associated absenteeism. It’s the toll that poor health takes on a person’s productivity while they are at work — something that researchers and managers have labeled “presenteeism.”

For some of the most common chronic health conditions, the cost of presenteeism can exceed that of both absenteeism and medical/pharmaceutical costs by a factor of 10 or more (Goetzel, et al, 2004). So it’s not surprising that according to a survey of over 1,600 global employers in 14 countries, nearly 90 percent say that health and productivity is essential or moderately important to their health strategy, with 50 percent saying it’s essential and 37 percent saying it’s moderately important (Willis Towers Watson 2016).

In Finance Sector, employees produce 6X their salary and benefits or $420,000 in productivity a year

On an hourly basis, people cost

10X

On an hourly basis, people produce

60X

8 minutes of work a day covers office cost

Figure 1: Occupancy Costs vs. Employee Productivity
Source: Global Workplace Analytics

PERSON
$70,000 / year
$35 / hour

OFFICE
$7,000 / year
$3.50 / hour

In Finance Sector, employees produce 6X their salary and benefits or $420,000 in productivity a year

$420,000 / year
$210 / hour
$3.50 / min

8 minutes of work a day covers office cost

Figure 1: Occupancy Costs vs. Employee Productivity
Source: Global Workplace Analytics
What is surprising is that the overwhelming majority of global employers have not made a strategic commitment to doing anything about it. **While 68 percent of employers currently offer one or more health and well-being programs, only 11 percent have what’s considered a comprehensive strategy** (Willis 2014). The idea of customizing their wellness strategy and using it to attract and retain talent is in the back of employers’ minds right now, but clearly the majority see the potential and plan to begin applying these strategies over the next few years (Willis Towers Watson 2016) (see Figure 2, Health and Employee Effectiveness as a Strategy).

When asked about the obstacles to implementing a comprehensive health and well-being program, a lack of budget tops the list, followed by a lack of evidence of financial returns (Willis Towers Watson 2016) (see Figure 3, Obstacles to Making Wellness a Priority).

Among employers that have a wellness program, less than one in five (17 percent) spend more than $150 per employee on annual incentives, staffing, vendors and related costs, while 36 percent spend nothing at all (Willis 2014).

Research by the Society for Human Resources Management (SHRM) and others suggests that for every dollar spent on medical costs, employers incur another $2.30 in related costs (SHRM 2011). A meta-study conducted by Harvard researchers showed that every dollar invested in wellness yields a $3 reduction in medical costs (Baicker et al 2010). **Interestingly, while U.S. employers spend an average of $6,000 per employee per year, and that cost largely involves taking care of people after they get sick, the return on investment of that expense has not been proven. For that matter, it’s never even challenged.**

In their myopic drive to cut costs, employers have lost sight of what such frugality does to their people and ultimately to their bottom line.

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2 One that, in addition to including health screening, coaching and web access, also targets behavior interventions, has significant incentives, is available to spouses, tracks progress and evaluates results.
History of Workplace Health and Well-Being

In many countries, employee welfare has long been embedded in their workplace culture, but in the U.S. it wasn’t until the 1970s that ergonomics, workplace safety and employee health was first explored in earnest. With the enactment of the Occupational Safety and Health Act in 1970, U.S. workers were ensured safe and healthful working conditions (U.S. Department of Labor 2016). In 2000, the Occupational Safety and Health Administration (OSHA) issued its first workplace ergonomics standard [OSHA 2001]. It wasn’t until recently, however, that organizations began to think about what a 2011 Knoll report labeled “holistic ergonomics,” a concept that embodies the physical, mental and social aspects of work.

A decade ago, the mention of well-being in the boardroom would have been met with a round of blank stares, rolling eyes or hushed giggles. While progress has been achingly slow, the concept is finally making its way into executive suites and workplaces around the world.

“...there is a disconnect between the limited breadth of issues that office ergonomics currently addresses, and the broader direction in which office work is evolving. If we focus on only a fractional part of office work (individual discomfort and posture during interaction with a computer), we risk missing many opportunities to enhance the well-being and performance of office workers” (Knoll 2011).

Figure 3: Obstacles to Making Wellness a Priority
Why Wellness

_Without wellness, you can’t have well-being nor, consequently, employee engagement. Here’s why._

Over 70 years ago, in a paper titled “A Theory of Human Motivation,” Abraham Maslow proposed a succession of needs that must be met before people would be motivated to pursue their higher-level needs (Maslow 1943). Though some have criticized this as an oversimplification that leaves out social interaction and collaboration and ignores the general messiness of human psychology, the model is nevertheless still popular and useful today. We borrow from it here as a way to frame the connection between wellness, well-being and engagement.

**Employee Hierarchy of Needs**

Depicted by many as a pyramid, Maslow’s work suggested that humans are fundamentally driven by basic physiological needs such as food, water and sleep — the bottom layer of the pyramid. Only when those needs are met can we begin to think about our security, health, employment and social needs — the next step in the pyramid (see Figure 4: Mapping Wellness, Well-Being & Engagement to Maslow & Herzberg’s Work).

Maslow referred to those basic physiological and safety needs as “hygiene factors” and to the higher-level needs — belonging, self-esteem and self-actualization — as “motivators.” The latter is inaccessible if hygiene needs are not met.

The critical issue in terms of work is that it’s the upper parts of the pyramid that foster well-being and, importantly, employee engagement. _But if your back is killing you or your teeth are chattering because your office is too cold (hygiene factors at the base of the pyramid), you’re not going to be motivated to think about the role you play in your company’s success or the global good. You’re going to be thinking about a massage or looking for a parka._

But, as Fredrick Herzberg taught us in the early 1940s, that’s just a part of the story of what motivates employees.

**Herzberg’s Theory of Motivation**


His research showed that while not having one’s hygiene needs met can cause job dissatisfaction, meeting them won’t create job satisfaction; that has to come from what he called “motivators,” such as achievement, recognition, responsibility and more (see Figure 4, Mapping Wellness, Well-Being & Engagement to Maslow & Herzberg’s Work).

In terms of the workplace, this suggests that _while having an awful office (a hygiene factor) may cause job dissatisfaction, having a great one won’t necessarily create job satisfaction_ (see Figure 5, Herzberg’s Hygiene and Motivational Factors). That begs the question: What’s the sweet spot in terms of creating a satisfactory office space, one that no longer causes job dissatisfaction?
Figure 4: Mapping Wellness, Well-Being & Engagement to Maslow & Herzberg’s Work

Figure 5: Herzberg’s Hygiene and Motivational Factors
That bar may be set even lower than most people think, because when someone is really passionate about and engaged in the work they do, they’re happy to work almost anywhere.

The trick, therefore, is to spend just enough on the elements of space that fulfill one’s basic needs, and save the bulk of our budgets for those that improve well-being and engagement.

**The State of Global Well-Being**

Gallup-Healthways has been surveying global well-being since 2008. They assess it across five categories:

- **Purpose**: Liking what you do each day and being motivated to achieve your goals.
- **Social**: Having supportive relationships and love in your life.
- **Financial**: Managing your economic life to reduce stress and increase security.
- **Community**: Liking where you live, feeling safe and having pride in your community.
- **Physical**: Having good health and enough energy to get things done daily. (Gallup-Healthways 2014)

Gallup then assigns levels of well-being to one of three categories:

- **Thriving**: Well-being that is strong and consistent in a particular category.
- **Struggling**: Well-being that is moderate or inconsistent in a particular category.
- **Suffering**: Well-being that is low and inconsistent in a particular category.

Based on nearly 100,000 surveys in 145 countries, their research finds that only 17 percent of the global population is thriving in three or more categories (see Figure 6, Well-Being Across the World by Region) (Gallup-Healthways 2014). In fact, no category of well-being shows more than 26 percent of the population thriving. The report concludes with this from the President of Healthways International:

> “Through scientific and peer-review research, we know that improving a population’s well-being has a significant impact on increasing performance and lowering healthcare costs. The fact that only 17 percent of the world’s population is thriving in three or more elements of well-being represents a huge opportunity for country and community leaders, employers, insurers and any population health stakeholder. There are proven interventions that these leaders can and should leverage to improve the health and well-being of their populations and, at the same time, create measurable economic value.”

![Figure 6: Well-Being Across the World by Region (% thriving, by element of well-being)](Source: Gallup-Healthways Global Well-Being Index 2014)
What’s Driving Well-Being

In most countries, the primary drivers of employer well-being initiatives are increasing productivity through reduced presenteeism (again, being at work but not doing your best because of poor health or well-being), reducing absenteeism and increasing engagement (see Figure 7, What is Driving Well-Being Programs?) (Willis Towers Watson 2016).

Presenteeism

Every minute that an employee is unable to work represents a cost to the employer in terms of lost productivity. Research shows that the cost of presenteeism substantially exceeds the cost of medical care, insurance and absenteeism:

- Bank One estimated the cost of presenteeism, thanks to higher prevalence, at 2.6 times that of medical and pharmaceutical costs and at 10.5 times that of absenteeism costs (Chenoweth 2011).
- Research by Cornell showed that the cost of presenteeism can be 18 to 60 times higher than the associated medical costs, depending on the condition (Cornell 2004).

As an example, someone who suffers from depression is absent for an average of 26 more days a year than a healthy employee, but they lose another 36 days’ worth of annual productivity due to presenteeism (Chenoweth 2011).

Similarly, a migraine sufferer loses 11 days a year in absenteeism and another 49 days in presenteeism (Chenoweth 2011).

For either affliction, that’s the equivalent of not coming to work for one out of every four days. Even something as simple as allergies costs an afflicted employee, and their employer, more than 30 days a year in lost productivity.

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4 Only the U.S. ranks reducing healthcare costs in the top three drivers; no doubt a result of the fact that U.S. employers shoulder much more of the burden for healthcare than global employers.

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Figure 7: What is Driving Well-Being Programs?
Source: Buck, 2014
Absenteeism

The average rate of absenteeism globally ranges from 6.7 percent in China to 11 percent in Europe, with the U.S. coming in at 8.1 percent (SHRM 2014). The direct cost of lost productivity for those sick days, including overtime and replacement costs but not presenteeism or the impact of the revenue-to-salary multiple discussed earlier, ranges from 4.1 percent of payroll in China to 10 percent in Australia (8 percent in Europe, 8.3 percent in the U.S.) (SHRM 2014).

But the cost of absenteeism goes far beyond those direct costs. Unplanned absences reduce the productivity of other co-workers who must cover for the missing person by an average of 30 percent and involved supervisors by 16 percent (SHRM 2014). Taken together, that’s nearly half of a man-day in lost productivity for each absentee.

According to a survey of global employers, absenteeism:

- Adds to the workload of others,
- Increases stress,
- Disrupts others’ work,
- Hurts morale,
- Reduces quality,
- Adds overtime,
- Adds training costs, and
- Penalizes or reflects badly on team performance (SHRM 2014).

Employees with risk factors for chronic diseases and/or the diseases themselves are absent far more than the average employee. Gallup research shows that someone with a chronic disease has between 12 and 42 more unhealthy days, or days on which they cannot conduct their normal activities, per year than someone who is healthy (Gallup 2011).

The Impact of Wellness and Well-Being on Engagement, and Vice Versa

*When employee health and well-being suffers, so does engagement, and vice versa.* And employers around the globe are wringing their collective hands about the low levels of engagement.

According to Gallup, more than 50 percent of the U.S. workforce is not engaged. They are, for the most part, doing their jobs but they’re not inclined to give anything extra. Another 17 percent are disengaged, something Gallup defines as either wandering around in a fog or actively undermining their co-workers’ success (Gallup.com 2016).

Globally, AON Hewitt finds that disengagement ranges from a low of 11 percent in Latin America, to a high of 18 percent in Europe (North America at 15 percent, APAC at 13 percent, Africa at 13 percent) (AON 2015). At the other end of the spectrum, the region with the greatest proportion of highly engaged employees is Latin America at 32 percent, followed by Africa at 30 percent, North America at 27 percent, APAC at 23 percent and Europe at 19 percent.

Employee engagement is critical to organizational success. A meta-study of over 250 research papers across 192 organizations and 1.4 million employees in 49 industries and 34 countries examined the
Effect of engagement on key performance indicators (“State of the American Workforce” Gallup 2013). Among other things, it found that employees with the highest quartile of engagement have 37 percent fewer absences and are 21 percent more productive than those in the bottom quartile. In addition, employees with high levels of engagement are less likely to leave, have a work-related accident, call in sick or steal from their employer (see Figure 8, The Impact of Engagement on Key Performance Indicators). All this adds up to greater productivity, happier customers and a healthier bottom line for the employer (Gallup 2013).

It works both ways — poor employee engagement can also result in poor health. Gallup finds that disengaged employees are:

- 2.2 times more likely to have three or more unhealthy days a month,
- 1.8 times more likely to suffer from depression,
- Less than half as likely to say they are in “excellent” health,
- 1.4 times more likely to have high blood pressure,
- 1.3 times more likely to be obese,
- 1.3 times more likely to have diabetes, and
- 1.2 times more likely to have high cholesterol (Gallup ‘Actively’ 2011).

Those with the poorest engagement incur 250 percent higher health-related costs than those with the highest levels of engagement ($11,709 versus $4,395 a year, respectively) (Gallup 2013).

Of note, engagement even trumps age when it comes to predicting health. “Young workers who are actively disengaged report more unhealthy days than older but engaged employees,” says one Gallup report. “On average, actively disengaged employees aged 20 to 29 have 1.82 unhealthy days per month. This number is higher than it is for engaged employees in all older age groups” (Gallup.com ‘Engaged’ 2013).

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5 Median difference between top and bottom quartile teams.
The two go hand in hand. Without their health, employees can’t begin to think about the kinds of things that create engagement and well-being. Without engagement and well-being, employees are more likely to suffer poor health.

The Business Case for Well-Being

When an employee is worried about their finances, a loved one, physical discomfort or their health, they simply cannot do their best. But if employers would make the investment in their employees’ well-being, the benefits would far outweigh the costs.

The Cost of Poor Health

When most employers think about the cost of poor health, they typically focus on the direct costs such as absenteeism, workers’ compensation, disability and healthcare payments and pharmaceutical costs. But, as we’ve seen, those are dwarfed by the high cost of presenteeism. Even something as simple as the shift to Daylight Savings Time has been shown to increase the incidence of heart attacks, traffic accidents, workplace incidents and presenteeism (Weintraub 2014). Imagine what bad bosses, unhealthy workplace conditions, travel across time zones, workplace change and the many other common workplace hazards can do to employee well-being.

U.S. Employers: Reducing Health Coverage is False Economy

In the U.S., where employers foot the bill for the majority of employee healthcare, the primary driver of wellness programs is reducing costs (Buck 2012). Some employers are trying to do that by reducing insurance coverage, increasing deductibles, increasing co-pays, increasing the employee share of healthcare premiums and, in some cases, eliminating health coverage altogether.

In 2014, 55 percent of U.S. employers (98 percent of large firms) offered health benefits to at least some of their employees (Kaiser 2014). Over the past decade, the employee share of premiums has increased by 94 percent and more than half of employers plan to further increase that share (Kaiser 2014; Willis 2014).

Shifting the cost burden to employees is a false economy. Here’s why:

- It may result in poorer employee health and increased stress.
- Fifty-three percent of employees say they would need to borrow money or use credit to cover the cost of an unexpected medical expense; 49 percent have less than $1,000 on hand to cover such expenses (Aflac 2014).
- Poor health coverage may force employees to seek other employment.
- Fifty-seven percent of employees say they would likely take a job that offered better benefits, even if it meant a cut in pay (Aflac 2014).
- Forty-eight percent of employees say they are likely to look for a new job during the next year; of those, 41 percent say better benefits would keep them from leaving (Aflac 2014).
- Turnover is far more expensive than providing health benefits. Experts put the cost of losing an employee at between 50 percent and 200 percent of the salary (WorldatWork 2012).\(^6\)
- If less coverage results in poorer health, absenteeism and presenteeism will increase and engagement will decrease.

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\(^6\) Estimated the cost of turnover at 50% to 200% of salary; assumed an average of the two.
Consider, for example, that a 10 percent shift in healthcare premiums, or the equivalent increase in cost-sharing (in other words, $596 more paid by the employee), would be entirely offset by four minutes of reduced productivity per day due to not feeling well or being disengaged (BLS 2016).

The bigger win, therefore, and where employers should be focusing their attention, lies in reducing presenteeism and absenteeism and increasing productivity and engagement. This is so critical to business success because the size of the problem is huge.

**The Size of the Health Problem**

The World Health Organization finds that 86 percent of the burden of chronic disease occurs in people under the age of 70 (Preventing Chronic Disease, a Vital Investment, World Health Organization, 2005). More than half of the U.S. population suffers from one or more chronic diseases. When obesity is included, that number jumps to 86 percent (CDC.gov 2012). The cost of treatment accounts for more than 80 percent of U.S. employer healthcare spending.

While the U.S. Centers for Disease Control (CDC) reports that chronic conditions are the most common and costly of health problems, accounting for 7 in 10 deaths, it is more important to note that these conditions are also the most preventable (CDC 2009). They estimate that 8 out of 10 chronic conditions can be prevented or reversed with lifestyle changes (CDC 2009). The most common modifiable risk factors for chronic conditions, in order of prevalence in the U.S., are:

- Obesity (38 percent, though another 33 percent are overweight) (CDC.gov 2014),
- Physical inactivity (49 percent),
- Depression (7 percent),
- Tobacco use (18 percent),
- High blood glucose (nine percent with diabetes, another 33 percent pre-diabetics) (CDC “Diabetes” 2014),
- High blood pressure (29 percent), and
- High stress (43 percent) (Goetzel 2012).

Although chronic disease was once seen as a problem of older age groups, the onset of chronic ailments is now occurring in younger age groups as well. As a result, age is less of a factor in healthcare costs than the presence of risk factors.

**Chronic Conditions and Risk Factors Often Snowball**

According to the CDC, more than 40 percent of people with a chronic disease suffer from more than one, and over 10 percent suffer from three or more (CDC.gov 2012). When multiple conditions or risk factors are present, the impacts mushroom. For example, while obesity alone increases health costs by 27 percent, when combined with the other risk factors that often go along with it, like hypertension, diabetes, heart disease and so forth, the incremental cost jumps to over 200 percent (Goetzel 2012).

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7 Obesity is considered both a risk factor and a disease.
8 Non-institutionalized adults, ages 18-64 categories.
9 Includes: hypertension, coronary heart disease, stroke, diabetes, cancer, arthritis, hepatitis, weak or failing kidneys, current asthma, or chronic obstructive pulmonary disease; non-institutionalized portion of U.S. population.
In a study based on data records from over 260,000 subjects of ages 18 to 70, the 27 percent of individuals who had more than one chronic condition had 500 percent the number of annual “at work, but unproductive days” as someone with no conditions (Mitchell 2011). Poor health and well-being has real business implications. It simply cannot be ignored.

**The Cost of Poor Employee Health**

Peer-reviewed research puts the U.S. cost of lost productivity due to health-related work losses at more than $260 billion a year (Mitchell 2011).

While the numbers are not strictly additive due to comorbid conditions, the authors of this chapter estimate that a typical employer with a thousand employees loses an average of 76 man-years a year in absenteeism and presenteeism associated with just the top eight chronic risk factors.¹⁰ That is the equivalent of having eight percent of staff on permanent paid sabbatical (see Figure 9, Lost Productivity Due to Chronic Risk Factors) (Lister 2016).

As Figure 9 clearly demonstrates, the cost of presenteeism exceeds that of both absenteeism and healthcare for all of the top risk factors.

Of course, every employer will have a different mix of chronic risk factors organizationally, geographically, across job types, sex and so forth. Unfortunately, most do not tailor their interventions to their own population’s needs. Many, in an attempt to buy their way into wellness, deploy off-the-shelf solutions to problems they may not even have.

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¹⁰ Assumes prevalence of risk factors matches that of U.S. workforce as a whole.
### Figure 10: Wellness Programs: Basic to Comprehensive

<table>
<thead>
<tr>
<th>Program Type</th>
<th>Employer View</th>
<th>Employee View</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Programs</td>
<td>28%</td>
<td></td>
</tr>
<tr>
<td>Intermediate Programs</td>
<td>29%</td>
<td></td>
</tr>
<tr>
<td>Comprehensive Programs</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Plans for Future</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>No Program</td>
<td>22%</td>
<td></td>
</tr>
</tbody>
</table>

### Figure 12: Employers and Employees Not Aligned on the Causes of Stress
Source: Willis Towers Watson 2015

<table>
<thead>
<tr>
<th>Cause of Stress</th>
<th>Employer View</th>
<th>Employee View</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of work-life fit (excessive workload/long hours)</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Inadequate staffing (lack of support, uneven workload or performance in group)</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Technologies that expand availability during non-working hours (mobile phone, notebooks)</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Unclear of conflicting job expectations</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Excessive amount of change at my employer</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Lack of manager support and feedback</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Low level of control over my job</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Concerns about personal financial situation</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Concern about job loss</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Company culture</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>Low pay or low increase in pay</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>Lack of technology, equipment, tools to do the job</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Concerns about benefit reduction/loss</td>
<td>13</td>
<td>9</td>
</tr>
<tr>
<td>Unfriendly or unsafe work environment</td>
<td>14</td>
<td>14</td>
</tr>
</tbody>
</table>
What are Employers Doing About It?

Employers overwhelmingly agree that workplace wellness programs help their people to:

- Develop healthier lifestyles (96 percent),
- Increase productivity (84 percent),
- Lower healthcare costs (84 percent), and
- Reduce absenteeism (78 percent) (Willis 2014).

Despite those beliefs, only about 1 in 10 U.S. employers offers what is considered a comprehensive well-being program, defined as one that:

- Targets interventions,
- Offers significant incentives for participation,
- Is open to spouses, and
- Tracks progress (see Figure 10, Wellness Programs: Basic to Comprehensive) (Willis Towers Watson 2016).

Who Is Doing, or Not Doing, What About Employee Wellness Around the Globe?

Targeted Interventions

The top areas of focus for wellness programs around the globe are stress, physical activity, obesity, nutrition and sleep (see Figure 11, Wellness Program Focus) (Willis Towers Watson 2016).

Interestingly, in spite of the near-global concern about employee stress, there is a huge mismatch between employers’ and employees’ views on what causes it (see Figure 12, Employers and Employees Not Aligned on the Causes of Stress) (Willis Towers Watson 2016). The biggest difference is regarding compensation. Employees rank it as their number one cause of stress, while employers view it as fairly insignificant, ranking it number 11 out of 14. Employers, on the other hand, view “the feeling of being always-on due to technology” as the third-highest cause of stress, but employees rank it number 13.
Participation
Getting employees to participate in wellness programs can be a challenge. Seven out of 10 employees say they would prefer to manage their own health. Resistance is particularly strong in Europe, where nearly a quarter of employees (23 percent) strongly feel that their health is none of their employer’s business (compared to 17 percent globally) (Willis Towers Watson 2016).

Global participation rates range from a low of 31 percent in Canada to a high of 57 percent in Latin America and Asia Pacific. The average across nations is 49 percent (Willis Towers Watson 2016).

Programs with the highest participation rates globally are biometric screening (62 percent), health risk assessments (52 percent), use of on-site or nearby health clinics (51 percent) and on-site vaccinations (44 percent). Participation in lifestyle-change and health-management programs, such as stress management, disease management, weight management and stop-smoking, is low, ranging from 12 percent (smoking) to 22 percent (stress) (Willis Towers Watson 2016).

Program Budgets
As mentioned earlier, more than a third of employers (36 percent) have no budget for wellness programs at all. Among those who do, only 17 percent spend more than $150 per employee per year. The majority of funds come from the employers themselves, though some receive help from their insurance companies (20 percent) and their employees (13 percent) (Willis 2014).

Incentives
Given all the employee resistance, it is not surprising that the use of incentives is growing. Eighty-six percent of U.S. employers and 63 percent of global employers (up from 78 percent and 42 percent, respectively, in 2013) use financial incentives to influence behavior (Willis Towers Watson 2016). The majority of incentives are aimed at increasing participation (64 percent) versus improving health outcomes (14 percent) (Willis Towers Watson 2016).

The most popular incentives are reduced insurance premiums (14 percent globally; 40 percent in the U.S.), raffles (22 percent globally; 39 percent in the U.S.), cash or gift cards (14 percent globally; 29 percent in the U.S.), or paid time off (15 percent globally) (Willis Towers Watson 2016).

Program Components
The most common global wellness program components include biometric screening (used by 68 percent of global employers), on-site vaccinations (66 percent), on-site diet and exercise (65 percent), employer assistance programs (61 percent) and health risk assessments (60 percent) (Willis Towers Watson 2016).

The following are welcome indications that employers are beginning to understand that well-being is more than just health:

- Sixty-six percent of employers feel their primary strategy over the next few years will be to build health and well-being into the workplace and organizational culture (up from 37 percent who currently employ this practice) (Willis Towers Watson 2016).

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11 Latin America is the outlier, with 6 out of 10 employees preferring to manage their own health.
• Nearly half of U.S. and 30 percent of global employers now include financial counseling in their wellness offerings (see Figure 13, Financial Well-Being Program Prevalence Now? In Future?) (Willis Towers Watson 2016).

**Measuring Results**

*Only one in five employers (22 percent) has a strategy for measuring the results of their programs over the years* (Willis Towers Watson 2016). Among those who do, 22 percent measure reduced absenteeism, 19 percent track medical leave and 7 percent track presenteeism (Willis 2014). Only 1 in 10 measures the impact of their programs on actual health risks (Willis Towers Watson 2016).

**Program Management**

In most organizations, health promotion, wellness and well-being programs are usually under the auspices of health, safety and environment (HSE) or human resources (HR), or both. However, the most effective programs involve cross-functional teams that include HR, HSE, real estate, finance, risk management, information technology, sustainability, insurance carriers, communications, labor organizations, wellness vendors and employee representatives.

For example, Dow Chemical created a Global Health Promotion team to provide strategic leadership to regional health promotion coordinators in five geographic regions (Buck 2012).

Chevron has “cardio champions,” union or general employees who go out to talk about the program while wearing “Ask Me” buttons. Guidelines and best practices come from the corporate level, but local leadership decides what works best. They’ve found that a peer-led approach was valuable when looking for employee input and promoting program creativity and ownership.
Figure 14: Success Factors
Source: Willis Towers Watson 2015

- Incentive for participation: 36% Essential, 42% Influential, 17% Helpful, 6% Not helpful
- Communication/marketing of programs: 40% Essential, 41% Influential, 17% Helpful, 3% Not helpful
- Employee satisfaction/engagement: 47% Essential, 38% Influential, 13% Helpful, 3% Not helpful
- Strong internal leader championing wellness: 49% Essential, 32% Influential, 14% Helpful, 5% Not helpful
- Management support: 55% Essential, 26% Influential, 12% Helpful, 4% Not helpful

Figure 15: Wellness Opportunities

- Put Well-Being To Work
- Self-Actualization
  - Allow people to work how, when and where they want
  - Support volunteerism, community work, altruism
  - Allow people to play to their strengths, eliminate obstacles
  - Emphasize morality, social good
  - Provide time to think/create

- Esteem
  - Design for trust, rapport, transparency
  - Reduce hierarchy/entitlements
  - Measure by results, recognize achievement
  - Personal growth opportunities, skills training, tuition
  - Encourage feedback, communicate findings, act on them

- Belonging
  - Ensure everyone understands the vision
  - Reinforce brand but allow for customization
  - Make connecting easy/safe, robust collaboration tools
  - Avoid exclusion, don’t forget remote workers
  - Create community areas, offer (healthy) food/beverages

- Safety
  - Good ergonomics; proper lighting, reduce glare
  - Clean air, clean surfaces, reduce toxins
  - Eliminate bullying/intimidation, offer privacy
  - Reduce work-life conflict, discourage presenteeism
  - Create culture of safety, practice emergencies

- Physiological
  - Let the outside in with natural light and outside views
  - Get up and move, beautify stairwells, move trash cans
  - Make it comfy, use sound masking, create refuge rooms
  - Promote healthy lifestyles, actually stop for lunch
  - Make work active, hold standing/walking meetings

Figure 15: Wellness Opportunities
Success Factors
The factors most critical to the success of wellness and well-being programs are management support (55 percent), a strong internal champion (49 percent), employee satisfaction and engagement (47 percent) and program marketing (40 percent) (see Figure 14, Success Factors).

The Impact of Work and Place
The impact that how and where we work has on wellness and well-being has gained significant attention in recent years. Industry leaders are looking to architects, designers, developers, facilities managers, human resources staff, furniture providers, workplace strategists and others to help create workplaces, workplace policies and work practices that foster well-being.

Resulting interventions range from the tactical to the strategic. While, as we’ve shown, the latter will yield the best results, something as simple as adding healthy snacks to food offerings or holding walking meetings can have an impact. What’s more, these interventions are easy and inexpensive. Again, using Maslow’s Hierarchy of Needs as a framework, Figure 15 (Wellness Opportunities) offers a wide range of other ideas for helping employees move up the pyramid.

A number of formal programs aimed at holistic well-being have sprung up in recent years. Most notably, Delos has created a WELL Building Standard®, which prescribes dozens of specific, measurable workplace and work practice changes that employers can make across seven categories:

- Air
- Water
- Nourishment
- Light
- Fitness
- Comfort
- Mind (Delos Living 2014)

As with the internationally recognized LEED (Leadership in Energy and Environmental Design) program, the WELL Building Standard® gives building owners and their occupants the opportunity to earn Platinum, Gold, and Silver ratings for their interventions; but, unlike LEED, regular audits are conducted to ensure continued compliance.

Responding to the demand for healthier workplaces, the U.S. government will begin making its own certification standard called Fitwel available to private sector users in 2017. According to a press release by the nonprofit Center for Active Design, which will be marketing the standard, Fitwel will offer a low-cost, high-impact standard for building owners and occupants (Center for Active Design 2016):

“[General Services Administration (GSA)] and CDC led the development of Fitwel, basing it on the strongest available scientific evidence. Fitwel provides over 60 strategies applying evidence-based strategies with the highest potential impact. The certification assesses workplace features including the design of stairwells and outdoor spaces, and policies such as indoor clean air standards and healthy food standards. The system is designed to encourage facility managers to work continually to increase building scores.”
This program has been pilot tested in dozens of GSA-owned buildings.

Other workplace wellness insights are available from a wide range of organizations, including Gensler, HOK, Herman Miller, Hayworth, Virgin Health, Willis Towers Watson, AON, Gallup-Healthways, Buck Consultants, WELCOA, the CDC’s NIOSH, the Center for Active Design, HERO, the Society for Human Resource Management, the International Facility Management Association, the World Health Organization and many others. Information about these and other valuable resources are available in the resources section of this chapter.

Case Study

Lincoln Industries is a Nebraska-based manufacturer and distributor of high quality accessories for the motor sports and heavy trucking industry. Its comprehensive well-being programs and strategic vision for organizational well-being have won them awards from the Great Place to Work Institute, the US Department of Health and Human Services, the American Heart Association, the Centers for Disease Control, Wellness Councils of America (WELCOA), and others.

Wellness is a category in the annual performance review for each of Lincoln’s 500+ employees. The company’s Platinum program offers a comprehensive selection of services including:

- Annual metabolic syndrome health screening
- Stretching exercises before each shift in order to prevent injuries
- HealthyU an onsite health center, staffed with a Family Nurse Practitioner and Medical Assistant, that offers no-cost services including acute care, and coaching/counseling on fitness, sleep, smoking cessation, stress reduction and more
- Reimbursement of up to $25 per employee per month for any fitness-related expense
- HealthyU Fit, an onsite fitness center that offers free, 24/7 access for all Lincoln Industries employees and their families
- On-site fitness classes
- Sponsorship of many active events throughout the community
- Life Plan: a ten-week course offered throughout the year to help employees develop a sense of purpose, and establish goals for their physical, financial, career, community, spiritual, and social desires.
- An onsite Employee Assistance Program which includes counseling and problem solving, work/life services, and legal and financial consultation
- Livongo for Health, a digital solution for managing diabetes
- Scaledown, a digital solution for losing weight

“We believe in the person as a whole—not just the 8-10 hours you are here at work” states the company’s wellness brochure, “so the intent is to look at your life from a greater perspective. Your overall quality of life improves when the life you want to live and the life you are living are parallel.”

Employees scoring in the top tier of the metabolic health screening are treated with a trip to Colorado for a 6 to 10-mile trek to the summit of a 14,000 mountain peak. In 2016, over 60 percent of employees qualified, and 32 percent attended (up from 19 percent six years ago).
In a company video, Lincoln’s Wellness Manager states “We never started our wellness initiative with a goal of saving money, rather, our belief is that healthier happier people are going to be more productive and make this a better place to work.” He credits their well-being initiatives with making them an employer of choice, reducing turnover, and being known as a great place to work.

Lincoln’s attention to well-being is simply an extension of its people-centered culture. They have created an environment that offers many of those higher level needs discussed earlier; the kinds of thing that create engagement such as empowering their people to make decisions and take personal responsibility, recognizing and rewarding good work, keeping communications open, connecting with the internal and external community.

The results of their efforts have paid off in, among other things, a reduction of those with metabolic syndrome from 19 percent in 2010 to just 8 percent in 2016, healthcare costs that are 40 percent lower than the industry average, an injury and illness rate that is 50 percent lower than peers, and a turnover rate that is a third lower than the industry average.12

Keys to Success

Programs aimed at improving employee health and well-being cannot exist in isolation. To be successful, they must be part of an overall culture that values its people and is truly committed to helping them do their best. A WELCOA report, which profiles their work at helping employers create high-performing work cultures, suggests the following keys to success:

• The CEO owns the responsibility for the company gaining and maintaining a high-performance culture.
• A means to measure the people metrics of high-performance culture must be in place.
• The effort must be comprehensive and adequately funded. In the effort to build and maintain a high-performance culture, there can be no shortcuts.
• Everyone should be expected to help build and maintain a high-performance culture. It should be clearly stated in the vision and mission statement of the organization, and in its stated core values. Managers must be held accountable for achieving it and workers must embrace it at all levels.
• Everyone who embraces the mission must be rewarded for it, with those who are exceptional receiving special recognition.
• There must be a commitment to never let off the throttle. A continuous improvement attitude helps the high-performance culture continue to evolve, improve, achieve new things and bring a sense of pride to the organization and its people (WELCOA 2013).

Like any change, it will be hard and there will be obstacles, both real and perceived. But the business case is clear: well-being is vital to sustainability for both the organization and its people.

12 A WELCOA Case Study: Optimizing Business Performance, the Wellness Council of America, 2013
Playbook for Implementation

Are you ready to get started? Here’s your playbook for helping your people be the best they can be.

Warm-Up, First Six Months

- Engage executive leadership.
- Assemble a cross-functional team.
- Assess the current state of the organization in terms of existing offerings, employee wellness and well-being, corporate culture, organizational readiness and employee interest and readiness.
- Ensure budget commitment.
- Gather baseline metrics.
- Build the business case for all stakeholders.

Next 10 Plays

- Decide on areas of focus based on your population’s needs.
- Determine how programs may need to differ across locations and demographics.
- Decide on program components (i.e., incentives, spousal inclusion, health risk assessments, biometric testing, gym, etc.).
- Evaluate internal and external resources for development and delivery of programs.
- Develop program branding.
- Develop communications plan and platforms.
- Test concepts with focus groups, pilots, surveys, etc.
- Engage managers and people who will champion the cause.
- Establish SMART13 goals and measures of success.
- Decide how and when programs will be rolled out.
- Continually encourage and respond to feedback from employees, vendors and consultants.

Measuring Results

The results you choose to measure will depend on your program goals. For example, if attracting and retaining talent is your primary goal, the majority of your measures will be related to that. If reducing presenteeism is your goal, you’ll need a whole different set of metrics.

Regardless of how you measure success, you will need to collect baseline data. The most common measures of success currently used are:

- Participation in health and wellness programs,
- Participation in health risk assessments,
- Participation in biometric screening,
- Reduction in healthcare and pharmaceutical costs,
- Biometric and health risk assessment outcomes,
- Employee engagement, and
- Sickness-related absenteeism and disability leave.

13 SMART goals are: specific, measurable, achievable, realistic, and time-bound.
But many measures — ones that could point to a better understanding of the return on investment you will receive — are possible. Some suggestions include metrics for:

- Presenteeism,
- Job satisfaction,
- Productivity,
- Employee Engagement,
- Voluntary or health-related turnover,
- Self-reported well-being outcomes,
- Employee attraction,
- Glassdoor.com and other employer ratings,
- Work-related accidents,
- “Best Place to Work” and similar designations,
- Revenue (or net profit) to salary ratio, and
- Number of employee “best days”.

An excellent list of some of the more popular scorecards, employer wellness award programs and additional ideas for measuring results is offered on the website of Leigh Stringer, author of The Healthy Workplace (Stringer, Lee, 2016).