

# EMPLOYEE WELL-BEING: A NEW WAY TO DEFINE ORGANIZATIONAL SUCCESS



# WHEN EMPLOYEES THRIVE, BUSINESSES WIN

This is a truism, to be sure, but achieving this goal requires both employers and employees to think and act in new ways.

Before examining just what “new” means in this context, let’s take a brief look at the status quo. Today, most employers assess the success of a people strategy against a limited set of individual goals — most often health-related behaviors or biometric measures. The terms most frequently used for employer initiatives in this area — wellness and health management — take a narrow view of the constellation of employee behaviors employers need to encourage and support. By moving beyond this tightly focused perspective, we gain the flexibility and breadth to address the many interrelated factors that contribute to individual and collective success.

**THE DIMENSIONS OF WELL-BEING ARE INTERRELATED, AND BY SOLVING FOR THE WHOLE RATHER THAN A PART, EMPLOYERS CAN MAXIMIZE PERFORMANCE AND MAKE THEIR ORGANIZATIONS GREAT PLACES TO WORK.**

As a point of departure, we propose **well-being** as a term that captures the essence of what drives success both inside and outside the workplace. Encompassing physical, emotional, and financial health, it includes wellness and health management but is not limited to them. In the words of the physician and writer Atul Gawande, “It is about the reasons one wishes to be alive.” The dimensions of well-being are interrelated, and by solving for the whole rather than a part, employers can maximize performance and make their organizations great places to work.

As we expand the current understanding of wellness — largely focused on nutrition, physical activity, and tobacco cessation — to include sleep and resilience, two new pillars of health, we are also looking beyond physical health. We define well-being as the active state of pursuing health and life skills with the aim of achieving physical and emotional health and financial security. It’s the confidence that a person has the ability, tools, and support to sustain individual health and productivity.

What does this more comprehensive definition of wellness mean for employers?

Well-being plays out in a variety of ways. It impacts an employer’s approach to traditional benefits and HR policies. But just as important, making employee well-being a priority will have a positive return on the organization’s workforce availability and performance, labor-related costs, and output — including innovation, customer service, and quality of products and services.

Research undertaken in various social science disciplines supports the adoption of well-being — in all its many dimensions — as a concrete, achievable employer goal. Workplace stress is estimated to cost US employers more than US\$300 billion per year in health care cost, missed work, and stress-related turnover.<sup>1</sup> The nature of work is changing at an incredible rate. More than ever before, job stress poses a threat to the health of workers and, in turn, to the health of organizations. In fact, as early as 1996, the National Institute of Occupational Safety and Health established a national research agenda to focus on stress and the study of work organization and health.

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<sup>1</sup> Lyubomirsky S, King L, and Diener E, “The Benefits of Frequent Positive Affect: Does Happiness Lead to Success?” *Psychological Bulletin*, Volume 131, Issue 6 (2005), pp. 803–855.

## RESEARCH ON THE ECONOMIC IMPACT OF WELL-BEING FOUND THAT THRIVING EMPLOYEES HAVE 41% LOWER HEALTH COSTS ... AND 35% LOWER TURNOVER COSTS.

For companies, happy employees mean better bottom-line results. In a 2012 *Harvard Business Review* article, Achor stated that employees who score low on “life satisfaction” stayed home an average of 1.25 more days per month, which translates into a decrease in productivity of 15 days per year.<sup>2</sup> Gallup’s research on the economic impact of well-being found that thriving employees have 41% lower health costs compared to those who are struggling. They also looked at turnover, and found 35% lower turnover costs in thriving employees when compared to employees who were struggling.<sup>3</sup> In a meta-analysis of 225 academic studies, researchers found that happy employees have, on average, 31% higher productivity and 37% higher sales, while their creativity is three times higher.<sup>4</sup> Creating a culture of well-being, resiliency, and mindfulness is a preventive strategy that enables workers to adapt to change and stress while maintaining a high level of performance.

What do we mean by “resiliency”? It’s the recognition that stress is a fact of life, and how we respond to stress determines whether it enhances or detracts from performance. In one fast-paced engineering firm, employee health assessments consistently identified stress as the top risk factor. Employees routinely worked long hours and weekends, which management suspected was leading to safety issues. The firm has embarked on a comprehensive resiliency-training

program to help employees understand the difference between useful stress and harmful stress, and to give them practical techniques for reducing stress, ranging from physical activities to mental exercises. The training includes a digital solution based on cognitive behavioral therapy to work on important skills — but for the users, it’s a fun and challenging game.

Financial concerns also have a place in the concept of well-being. Particularly in today’s economic environment, workers report that they are distracted by day-to-day financial worries and concern that they may not be prepared for retirement. In fact, according to the American Psychological Association’s 2014 Stress in America™ survey, money (71%), work (69%), and the economy (59%) continue to be the most commonly reported sources of stress. Helping employees improve their financial health — with tools, advice, and guidance — will contribute to their overall wellness, confidence, and productivity.

A key aspect of well-being is connectivity — with family, community, and co-workers. Social connection is a powerful force that was overlooked in earlier health management strategies. We know now that leveraging social support in the workplace is an effective way to drive engagement. Employers can create opportunities for participants to feel socially connected around well-being — for example, with Weight Watchers®, walking groups, running clubs, and Alcoholics Anonymous®. “Social networking” through technology is an effective way to provide support for remote or technologically savvy populations. Social norms can encourage accountability, change habits, and create positive peer pressure. Look for opportunities to measure social connection and show its impact.

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<sup>2</sup> Achor S, “Positive Intelligence,” *Harvard Business Review*, January 2012.

<sup>3</sup> Rath T and Harter J. *The Economics of Wellbeing*. San Francisco, CA: Gallup Press, 2014.

<sup>4</sup> Lyubomirsky S, King L, and Diener E, “The Benefits of Frequent Positive Affect: Does Happiness Lead to Success?” *Psychological Bulletin*, Volume 131, Issue 6 (2005), pp. 803–855.

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— POINT THE WAY TO A WELLNESS  
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TODAY'S STANDARD PROGRAM.*

Consider a well-being strategy that reflects the fact that all HR policies, programs, and initiatives affect the physical, financial, and emotional well-being of employees to various degrees. Physical health affects financial health; financial health affects emotional health; emotional health affects physical health. And social connections dramatically affect all of these. Well-designed well-being initiatives have a compounding effect.

Changes in the market, technology, and employee attitudes — combined with learnings from past efforts — point the way to a wellness program very different from today's standard program.

Creating a future-ready approach to employee well-being requires a vision of the end-state and a strategy. It should start with an analysis of the employer's data and objectives to identify areas of greatest need and the corresponding effort required for success. Using an opportunity analysis enables an employer to prioritize and plan actions that will produce the best return on investment.

# MOVING BEYOND WELLNESS: GUIDING PRINCIPLES

How does an organization broaden its focus from wellness to well-being? Start with the lessons learned from existing programs. Over the past four decades, a number of companies have successfully implemented comprehensive initiatives that show how much an organization and its employees can benefit when a program is well-designed, consistent with evidenced-based practice, effectively executed, and continually evaluated.<sup>5</sup>

But differences in outcomes among organizations with similarly well-intentioned programs can be startling — and measurable. In 2009, Mercer teamed up with the nonprofit Health Enhancement Research Organization (HERO) to launch a free, online wellness and health management program assessment tool for employers, used by more than 1,300 employers to date. It provides an inventory of best practices and allows employers to benchmark their programs against those of similar employers.

The responses have created a powerful database that is used to explore what strategies and designs are the most likely to produce desired results. A recent study examined the claims data of HERO Scorecard participants and found that higher scores were related to lower medical plan cost and cost trend. Employers with highly effective programs experienced a 1.6% reduction in claims trend over the three years examined in the study, while those employers with low best-practice scores saw no improvement in trend.<sup>6</sup>

Although medical plan cost is just one measure of a program's success, it's encouraging to know that best-practice programs produce bottom-line measurable results. What's both challenging and exciting is that best practices are continually evolving. Here, Mercer offers four ways you can adapt your program to make

it future-ready — ideas and concepts that have been applied successfully in the real world and should find a place in your efforts to improve well-being.

**WELL-BEING NEEDS TO BE ACTIVELY EMBRACED BY EVERYONE IN THE ORGANIZATION. ... THE ONGOING EFFORT WILL BE AKIN TO YOUR COMMITMENT TO DIVERSITY, SIX SIGMA, OR SAFETY.**

## 1. COMMIT TO CREATING A WELL-BEING CULTURE

Although the concept gets much lip-service, creating a culture that supports employee well-being requires real change management, from the CEO on down. It's an initiative that cuts across business functions, policies, and programs and requires the support of all HR and business leaders as well as marketing and public relations resources. Well-being needs to be actively embraced by everyone in the organization, though HR is often the catalyst for change. The ongoing effort involved will be akin to your commitment to diversity, Six Sigma, or safety. The importance of this focus can't be overstated. The success of any one program aimed at improving employee health habits will be limited by the extent to which you have succeeded in creating a healthy climate within the organization.<sup>7</sup>

You won't get there overnight, but with a target and a plan you can keep the process of transformation moving forward. The journey begins by visibly acknowledging a healthy workforce as a business value and an objective. Policies and work practices should be reviewed to ensure

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<sup>5</sup> Goetzel R.Z, et al. "Do Workplace Health Promotion (Wellness) Programs Work?" *Journal of Occupational and Environmental Medicine*, Volume 56, Issue 9 (2014), pp. 927–934.

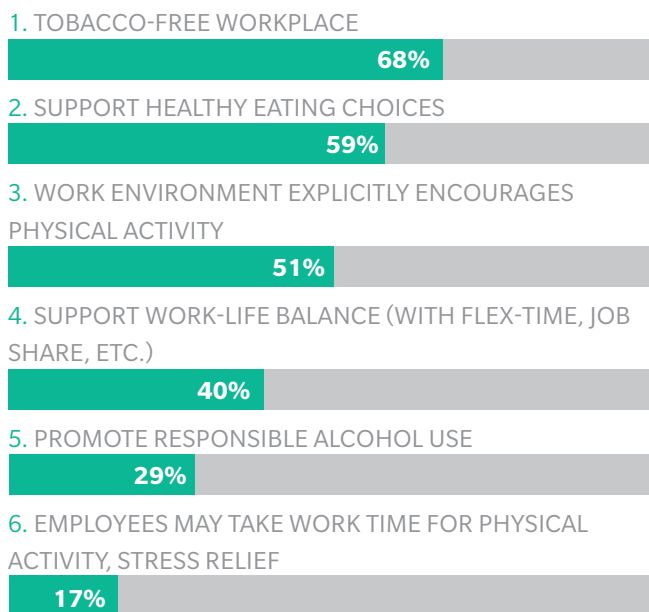
<sup>6</sup> Goetzel R.Z, et al. "The Predictive Validity of the HERO Scorecard in Determining Future Health Care Cost and Risk Trends," *Journal of Occupational and Environmental Medicine*, Volume 56, Issue 2 (2014), pp. 136–144.

<sup>7</sup> Fabius R, et al. "The Link Between Workforce Health and Safety and the Health of the Bottom Line," *Journal of Occupational and Environmental Medicine*, Volume 55, Issue 9 (2013), pp. 993–1000.

they promote health and well-being. The physical work environment is an often overlooked component — an unsupportive environment can undermine even the best programs and investments. But many of the most important actions you can take will be inexpensive. Changing the social norm of the organization — through supervisor training and leaders modeling healthy behavior — can lead to systemic, self-reinforcing behavior change. Some employers use newsletters, monthly wellness team meetings, or targeted on-site wellness campaigns to engage participants. Leaders are featured on blogs, in videos, and even on Salesforce.com, sharing personal wellness success stories and showing support for employee participation in corporate well-being initiatives. The goal is to make healthy behaviors first “high status,” then the norm — and regularly scheduled, visible communications can help.

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## BUILDING A CULTURE OF HEALTH: 6 POLICIES THAT PROMOTE EMPLOYEE WELL-BEING LARGE EMPLOYERS



Source: Mercer’s National Survey of Employer-Sponsored Health Plans 2014.

Integration is a critical enabler of creating a culture of health. First, all wellness and health management programs need to interact seamlessly with each other in terms of vendor coordination, communication, functions, and data. But even a well-coordinated program, if not aligned with other health resources, the safety program, employee assistance program (EAP), and other organizational offerings, will fail to achieve the level of engagement needed to reinforce true population health improvement. Organizations that are most successful in achieving health behavior change are those with cross-organizational initiatives that add up to a healthy culture. What we’ve learned from experience is that focusing on individual behavior change is not enough — culture and environment have a strong influence on healthy behaviors and outcomes. And culture extends beyond the workplace to employees’ homes and even communities. Employers have a role in this social change. US cities that have partnered with employers to implement policies and practices to promote health — by making healthy behaviors easier — have healthier citizens as a result.<sup>8</sup>

## 2. CREATE AN EXCEPTIONAL AND ENGAGING MEMBER EXPERIENCE

Think about well-being through a marketing lens. True consumer-centered companies work relentlessly to delight consumers — raising expectations and enabling consumer buying power to shape the market. When a participant believes a program was not designed with them in mind, it becomes just “one more hoop to jump through.” This is just as important for programs designed to promote financial health as for those focused on physical health. Personalization and “micro-targeting” are key to improving financial behaviors.

<sup>8</sup> Buettner D. *Thrive: Finding Happiness the Blue Zones Way*. Washington, DC: National Geographic Society, 2010.

**FOCUS ON THE FUN. PROGRAMS THAT DWELL ON RISKS RATHER THAN OPPORTUNITIES FOR A BETTER LIFE CAN BE OFF-PUTTING.**

Focus on the fun. Programs that dwell on risks rather than opportunities for a better life can be off-putting. And employees who are already healthy and doing the right thing should be allowed to demonstrate their good health status to avoid required activities like participation in coaching, recording steps, or attending health promotion seminars. One Mercer client uses a creative strategy to address the workforce's diverse health status. Each participant receives a Personal Health Itinerary based on claims, biometrics, and health assessment results. This serves as the individual's personalized incentive plan. Those without serious health risks can complete a financial wellness program or perform community service to earn rewards.

**CONSUMERS' EXPECTATIONS ARE RISING. THEY SEEK OUT NOVEL HEALTH AND WELLNESS SERVICES THAT ARE INTUITIVE, PERSONALIZED, AND TECHNOLOGY-ENABLED.**

It's critical to know what motivates your employees, what concerns keep them up at night, where and how they like to receive information. A consumer-centered program will leverage all their health resources — the cafeteria at work, their fitness club memberships, favorite health apps, plant safety checklist, EAP, even their doctor visits.

Employees must trust that their employer is in it for the right reasons and is looking out for their best interests. You can help build that trust by drawing on outside

**EMPLOYERS USING A RANGE OF ACTIVITIES AND TECHNOLOGIES TO PROVIDE A MORE ENGAGING MEMBER EXPERIENCE  
LARGE EMPLOYERS**

**ACTIVITIES**

**WORKSITE BIOMETRIC SCREENING EVENT**

59%

**BUSINESS UNIT/LOCATION GROUP CHALLENGES**

44%

**ONSITE EXERCISE OR YOGA CLASSES, OR WEIGHT LOSS PROGRAMS (SUCH AS WEIGHT WATCHERS)**

50%

**PERSONAL CHALLENGES**

41%

**PEER-TO-PEER SUPPORT**

21%

**TECHNOLOGY-BASED RESOURCES**

**MOBILE APPS**

31%

**DEVICES TO MONITOR ACTIVITY**

35%

**DEVICES TO TRANSMIT HEALTH MEASURES TO PROVIDERS**

10%

**ONSITE KIOSKS**

9%

**OTHER WEB-BASED RESOURCES/TOOLS**

47%

Source: Mercer's National Survey of Employer-Sponsored Health Plans 2014.

resources like independent vendors, associations, and employees' physicians for support and motivation.

Choose technology that is smart and flexible enough to link the employee to all available well-being resources — internal and external — that are both relevant and personal. Consumers' expectations are rising. They seek out novel health and wellness services that are intuitive, personalized, and technology-enabled. The market is responding to meet these needs. Expect to see continued new developments in all aspects of the consumer well-being experience — shopping, products, networks, engagement models, and incentives.

### 3. LEVERAGE WHAT WE KNOW ABOUT BEHAVIOR THEORY TO ADDRESS BEHAVIOR CHANGE

Unlike the other guiding principles, applying a behavior-change mindset to employee well-being accomplishes most of its work behind the scenes, as it provides an illuminating line of sight into the why and the how behind what people do.

*WE TEND TO OVERSTATE THE IDEAL OF PERSONAL EMPOWERMENT, WHEN IN FACT, OUR SURROUNDINGS, SUPPORT SYSTEMS, PHYSIOLOGY, AND PERSONAL BELIEFS ARE LARGELY RESPONSIBLE FOR OUR HEALTH.*

Changing behaviors and maintaining health is difficult. Yet often, in our program design, we expect financial incentives to drive engagement and long-term health behavior change. In addition, especially in the US, we tend to overstate the ideal of personal empowerment,

when in fact, our surroundings, support systems, physiology, and personal beliefs are largely responsible for our health. As an example, zip code is the single largest determinant to our health status.

Individuals make health behavior decisions many times throughout their day, year-round, and over a lifetime. Lasting behavior change must be built into the fabric of a person's life. Programs that are focused on shorter durations, and transactional in nature, may be helpful to increase awareness and drive short-term engagement, but when implemented alone fail to produce long-term, sustained health risk change.

Behavioral economics rests upon the assumption that people do not always act rationally when it comes to financial decision-making (surprise!). Employers can only help people make better choices if they first understand how decisions get made in the absence of any guidance. For example, research has shown that a relatively modest financial incentive delivered in the form of a gift card or lottery ticket is more effective than a bigger incentive hidden inside the paycheck.<sup>9</sup> Other examples don't involve financial incentives at all. You can unleash the desire to win; build team spirit, camaraderie, and visible momentum; and leverage our innate enjoyment of "play" by using game mechanics. Another example is tying wellness activities to achieving a "greater good" or corporate giving.

Ultimately, the goal is to foster each individual's intrinsic motivation to improve health. To sustain motivation, offer activities participants can choose that will help them to advance their goals. Learning about barriers to behavior change that may exist in the larger community — such as "food deserts" or a lack of places to safely exercise outdoors — may suggest ideas for programs or activities that make healthy choices easier for your population. It's also important that everyone feels competent to perform

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<sup>9</sup> Loewenstein G, Asch D.A, and Volpp K.G. "Behavioral Economics Holds Potential To Deliver Better Results For Patients, Insurers, And Employers," *Health Affairs*, Volume 32, Issue 7 (2013), pp. 1244–1250.



an activity; they can then build on their success. Finally, if employees feel that being healthy is part of “who we are” at the workplace, they are more likely to maintain long-term behavior change.<sup>10</sup>

#### 4. ESTABLISH CLEAR MEASURES RELATING TO PEOPLE-LED BUSINESS IMPROVEMENT

The move from a transactional to a transformational approach to well-being requires a new approach to measurement. Well-being is not simply a new name for old programs, but an entirely new way of defining the employer-employee relationship and running a business that requires an equally innovative way of measuring success.

The often overheated claims by vendors competing in the crowded wellness market can lead employers to have unrealistic expectations for immediate medical savings and return on investment (ROI). Research has shown that it takes time for a program to mitigate health care cost trend and impact health and productivity. And the benefits to an organization from well-being initiatives are not exclusively financial. Along with the comprehensive concept of well-being, we’re seeing an expanded definition of ROI. The broader focus acknowledges the important role of well-being in attraction and retention (becoming the employer of choice), and on productivity and performance. And we have more credible metrics to support evaluation of the results.

Mercer participated in an industry-wide initiative, sponsored by HERO and Population Health Alliance, to develop new, more holistic metrics for calculating well-being ROI. These may be accessed at <http://www.populationhealthalliance.org/publications/program-measurement-evaluation-guide-core-metrics-for-employee-health-management.html>.

In addition, a recent Mercer workforce analytics study covering 164 companies in 28 countries — with 1.7 million employees — revealed that employers that ranked health education as a priority had better long-term success with attracting, developing, and retaining talent.<sup>11</sup>

#### A MORE BALANCED PROGRAM, FOCUSED ON WELL-BEING FOR THE LARGER POPULATION AND CLINICAL MANAGEMENT FOR THE SICK, CAN PRODUCE BOTH SHORT- AND LONG-TERM RETURNS.

Still, there are options and trade-offs for programs that must take into account business imperatives in their strategies. Clinical care management is the most likely to produce immediate medical plan savings; if your program is focused instead on prevention and risk reduction, you may not see short-term ROI. However, if you just focus on acute needs, you run the risk of making employees with chronic conditions feel marginalized. And keeping healthy employees well and productive is the best investment you can make, especially as our population ages. A more balanced program, focused on well-being for the larger population and clinical management for the sick, can produce both short- and long-term returns.

This broader view of the value of employee well-being makes it clear why employers will need to stay involved with employee well-being, whether they continue to administer an employee health plan, shift to a private benefit exchange, or even exit health plan sponsorship entirely. In fact, researchers presenting at the most recent World Economic Forum underscored the fact that health and welfare programs are one of the top three “accelerators of talent” — meaning employers that reported that health and welfare benefits were a key influence on workforce performance were the most likely to report a high-performing workforce.

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<sup>10</sup> van Scheppingen A.R, et al. “Motivations for Health and Their Associations With Lifestyle, Work Style, Health, Vitality, and Employee Productivity,” *Journal of Occupational and Environmental Medicine*, Volume 56, Issue 5 (2014), pp. 540–546.

<sup>11</sup> Mercer study: When Women Thrive, Businesses Win

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PROGRAMS AND INFORMATION THAT WORK BEST ARE:

Always available

Mobile technology that is ready when I am.

Completely personalized

Make it about my issues, what is valuable and important to me. Use data and technology to create personal calls to action.

Crowdsourced

Employee feedback to provide a source of continuous improvement.

Community-based

Create ways for employees to support and encourage each other; allow for viral marketing and social proof of concept; create official ambassadors of health; leverage the environment.

Simple and intuitive

Make it the easy and natural thing to do. Build momentum for success, from baby steps to habits.

Situation-adaptive

Programs and information that are accessible whenever and wherever to a wider audience: face-to-face, in groups, alone, on the web, on my phone, at a kiosk, on my wearable device.

Inclusive

There should be something for everyone: union and nonunion employees, spouses/domestic partners, dependent children, health plan participants and nonparticipants.

Private

Respect that health is a personal matter. Look to how other industries have overcome privacy concerns (for example, financial, car insurance, Amazon).

# GETTING STARTED: TAKE A REALITY CHECK

Creating employee well-being is hard to do. It's about each person's investment of time and energy in health and well-being, culminating in choices they make every day. Take a hard look at your organization. What are the barriers to well-being?

Does the work environment look like it was designed to make people feel comfortable and happy — a place they would go to by choice?

Do leaders model healthy behaviors? Do they take vacations, participate in community activities, socialize with co-workers?

Are there resources to help employees who struggle financially?

Do your employees have a reason to get up and move throughout the day?

Do employees understand why the work they do is important? And why they — as individuals — are important to your organization?

When problems arise outside of work — a sick family member or a relationship crisis — do employees feel supported at work?

If the answer to many, or any, of these questions is no, there's work to do.

**HAVING A FORMAL, WRITTEN STRATEGY FOR EMPLOYEE HEALTH MANAGEMENT IS ONE OF THE STRONGEST PREDICTORS OF A SUCCESSFUL PROGRAM.**

It bears repeating that creating a successful approach to employee well-being requires a strategy. Analysis of HERO Best Practices Scorecard data has shown that having a formal, written strategy for employee health management is one of the strongest predictors of a

successful program, yet surprisingly, only about half of the more than 1,300 respondents had a strategy in place. To execute the strategy takes resources, staff, creative communications, and operational oversight or vendor management.

Employers have limited resources to develop and maintain these complex programs. Mercer has a specialty total health management team that is well equipped to assist employers in design, vendor selection and oversight, and evaluation of successful well-being initiatives. Mercer's workforce communications team can help with branding, messaging, and leveraging health and financial wellness vendors' communications materials.

**AS THE POPULATION AGES, YOUR ORGANIZATION'S SUCCESS MAY DEPEND ON SUSTAINING HEALTHY, ENGAGED, PRODUCTIVE EMPLOYEES WHO ARE GOING TO BE IN THE WORKFORCE A LOT LONGER.**

We are passionate about getting well-being right. As the population ages, your organization's success may depend on sustaining healthy, engaged, productive employees who are going to be in the workforce a lot longer. And beyond that, we believe a healthier "well population" is a better population. Employee well-being extends from the person (a better quality of life) and the organization (improved productivity and performance) to the community.



For further information, please contact  
your local Mercer office or visit our website at:  
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Brazil	Mainland China	Spain
Canada	Malaysia	Sweden
Chile	Mexico	Switzerland
Colombia	Netherlands	Taiwan
Denmark	New Zealand	Thailand
Finland	Norway	Turkey
France	Peru	United Arab Emirates
Germany	Philippines	United Kingdom
Hong Kong	Poland	United States
India	Portugal	Venezuela