

Health and wellness programs help manage human capital

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The importance of health and wellness programmes

Health is an increasingly important benefit for employees and a strategic imperative for their employers. Health and wellness programmes reduce accidents and absenteeism, improve employee engagement and productivity, and impact on overall business performance.

The importance of these programmes is currently being highlighted by changing demographics. The population is aging and with this comes increased health risk. An aging workforce is less likely to exhibit characteristics of mental well-being and more likely to suffer from musculoskeletal problems. Age might not be what limits employees' ability to work, but it might well limit productivity.

Accompanying this is growing concern over the cost of medical insurance which is destined to continue increasing at a much higher rate than general inflation, driven onwards by fast developing drugs and treatments such as Herceptin.

Three approaches to health and wellness

In a new book¹, one of us argues that an organisation's human capital acts as an intangible capability which increasingly provides the basis for ongoing business success and transformation. Whilst capability and engagement are the most obvious forms of human capital, the health of the workforce provides another increasingly important element.

The book also proposes that the management of people for the accumulation of human capital, or human capital management (HCM) depends upon going beyond general basic practices that increase efficiency and save money; and even beyond the best practices used by many organisations to help meet business objectives but which are often used across whole sectors and employee segments; to best fit people strategies that may only be appropriate for one particular employer or even one group of employees, and that provide the basis for sustained competitive differentiation.

¹ Ingham, J. (2006). Strategic Human Capital Management: Creating Value through People. Butterworth-Heinemann.

The management of health can also be seen to take place at each of these three levels, shown in figure A.

Basic practice

At the first level, organisations focus on handling problems or complying with regulations, for example reducing sickness absence or providing VDU glasses. A typical example of this basic practice type of approach might be the provision of a stress counselling service to protect an employer in case one of its employees pursues a case against it.

The benefits of this type of actions can be considerable. Companies typically spend between two and sixteen percent of their annual budgets on absence so reducing this expenditure can result in significant savings. An example is Comet which claims that attendance management has saved it over £300k.

Because at this level, both the factors we are managing and the benefits of these factors are fairly tangible (like numbers of days worked and savings on medical insurance), the benefits can often form the basis of a fairly straightforward return on investment (ROI) calculation. Some of the organisations that have published their ROIs include General Motors in the US which has reported that a health promotion programme has produced a savings-to-cost ratio of 2.3:1. Similarly, Citibank has reported that its health promotion programme has provided savings of between 4.56 and 4.73:1 per annum. In the UK, Coors brewery has reported savings from a programme managed by BUPA of 6:1 mainly achieved from changes in managing long-term ill-health cases.

However, the benefits obtained from basic practices are never going to be as significant as those that can be obtained from the proactive and sustained, long-term management of health to increase individual and organisational productivity. Returning to the theme of sickness absence, encouraging the return to work of those who are sick is not going to result in the same benefits as providing preventative care for all of those who are well.

Best practice

The second level consists of largely function or sector-based strategies to improve both physical and mental wellbeing, improving productivity and impact on current organisational performance. Examples include the Health & Safety Executive (HSE)'s recent focus on dermatitis in beauty salons; providing guidance on heart related illnesses in organisations with aging sedentary workforces or arranging stress management training for shift workers. Both the factors being managed and their benefits are more intangible at this level. The benefits can also be greater than those for basic practices but ROI is also much harder to prove. In many organisations this

can mean that these factors receive less management attention than they should.

Best fit strategy

At the third level, health and wellness strategies focus on developing a healthy workforce as an investment in human capital, recognising that this will provide benefits in the longer-term. These strategies emphasise wellness rather than disease and focus on promoting healthy lifestyles, better sleeping patterns, working fewer hours, taking more holidays, exercising regularly, eating more nutritious food and managing stress levels better. Employees are also discouraged from smoking. Implementing these strategies often requires building a manageable level of anxiety about health, sufficient to dislodge complacency; and ensuring that high quality, relevant information is provided to employees at the right time.

The outputs of these strategies are measured by changes in body mass index and cholesterol levels etc. But their benefits are intangible and indirect, often only being felt through their impact on other intermediary factors like employee commitment.

Although strategies at this level are 'best fit': meaning that what works for one organisation may not work for another, two approaches are most common:

Personalised health

Recognising that all employees have different health and wellness needs (for example a young employee might benefit most from discounted gym membership whereas an older employee might want private healthcare with reduced waiting times), this strategy seeks to convince employees to be proactive in managing their own health rather than just seeking treatment once they are sick.

Organisations following this approach provide employees with general information on the management of their health including on how their personal behaviours (such as lifestyle choices, informed use of health care resources and compliance with treatment plans) contribute to health and wellness. This is supported by personalised information focused on the individual and their particular health and wellness needs. Web portals are a particularly useful tool and can be used, for example, to inform staff of their expected date of death once they have recorded their age, weight, family history and other factors to let them see the effect of various changes in their lifestyle on their life expectancy.

Integrated health

As shown in Figure B, integrated health looks at the factors that can impact health throughout the life cycle of an employee – from the point prior to joining a company, through every possible health-related aspect of his or her time with the employer, until retirement (including retirements due to ill health) and focuses on how available resources can best be utilised over this time. The approach considers both employer related issues and employee benefit-related issues together to ensure joined up thinking on all health-related matters. Very often, small ticket expenses such as pre-employment screening can be used to avoid big-ticket health related costs such as sickness absence.

Figure C illustrates a typical breakdown of most health-related costs. It makes a strong case for considering health issues in the round – and for considering aspects of health management that might not currently be part of the picture. For instance, the availability of a proactive Occupational Health (OH) Service is surprisingly absent from many organisations. In the absence of some form of OH provision it becomes the role of line managers to carry responsibility for all elements of health-related costs – a responsibility that few managers have been trained to understand or are even receptive to.

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