Making the Business Case for Investments in Workplace Health and Wellness

Canadian Alliance for Sustainable Health Care

HEALTH, HEALTH CARE AND WELLNESS
Making the Business Case for Investments in Workplace Health and Wellness
by Louise Chénier, Crystal Hoganson, and Karla Thorpe

Preface

Making the Business Case for Investments in Workplace Health and Wellness provides organizations of all sizes with advice on how to demonstrate the positive impacts and outcomes of their investments in health and wellness initiatives.

The report includes a metrics checklist as well as some calculations for employers to use. It also provides a sample worksheet for calculating the return on investment of health and wellness initiatives, along with a hypothetical example.

Research for the report entailed an extensive literature review, a series of 10 in-depth case study interviews with employers of various sizes from a wide spectrum of sectors, and 13 key informant interviews with experts in health promotion, workplace wellness, and evaluation.

This study was sponsored by Standard Life, Ceridian Canada, Homewood Human Solutions, Medavie Blue Cross, Mercer, Pfizer Canada, Sanofi Canada, TELUS Health Solutions, and the Canadian Alliance for Sustainable Health Care at The Conference Board of Canada.
## CONTENTS

**Executive Summary** .................................................. i

**Chapter 1**—The Importance of Investing in Workplace Wellness Programs ...................................................... 1

- Why Should Employers Invest in Workplace Wellness Programs? ................................................................. 2
- How Do Wellness Programs Make a Difference? .... 4

**Chapter 2**—Developing a Comprehensive Workplace Wellness Program .............................................................. 6

- What Influences an Employee’s Health and Well-Being? ................................. 7
- How Can Employers Create a Healthy Workplace? ................................. 7
- What Is a Comprehensive Workplace Health and Wellness Program? .......... 8
- How to Structure a Comprehensive Wellness Program ................................. 8

**Chapter 3**—Evaluating Workplace Wellness Programs .......................................................... 14

- Why Measure or Evaluate Workplace Wellness Programs? .......................................................... 14
- What Is ROI? .......................................................... 15
- Is Anyone Measuring ROI? .......................................................... 15
- Barriers to Measurement .......................................................... 16
- Where Can Employers Get Support? .......................................................... 17

**Chapter 4**—Tools for Evaluating Workplace Wellness Programs .......................................................... 19

- Establishing a Baseline Measurement .......................................................... 19
- Benefits Cost Analysis .......................................................... 21
- Drug Costs .......................................................... 22
- Absenteeism .......................................................... 22
- Short- and Long-Term Disability Costs .......................................................... 24
- Workers’ Compensation Claims .......................................................... 25
- Employee Assistance Programs .......................................................... 25
- Productivity at Work .......................................................... 26
- Turnover .......................................................... 28
- Recruitment .......................................................... 29
- Employee Satisfaction and Engagement .......................................................... 29
- Corporate Reputation .......................................................... 30
- Organizational Culture .......................................................... 30
- Customer Satisfaction .......................................................... 31

**Chapter 5**—Measurement Framework for Workplace Wellness Programs .......................................................... 32

- Steps/Programs .......................................................... 33
- Outcomes/Impacts .......................................................... 34
- Metrics/Measures .......................................................... 34

**Chapter 6**—Government’s Role in Supporting Healthy Employees .......................................................... 36

- Determinants of Government Involvement .......................................................... 36
- How Can Governments Support Workplace Wellness? .......................................................... 37

**Chapter 7**—Conclusion .......................................................... 40

**Appendix A**—Lists of Interviewees .......................................................... 42

- Employers Interviewed .......................................................... 42
- Key Informants Interviewed .......................................................... 43

**Appendix B**—Metrics Checklist for Employers .......................................................... 44

- Demographic Information .......................................................... 44
- Group Health .......................................................... 44
- Prescription Drugs .......................................................... 44
- Short-Term Disability .......................................................... 44
- Long-Term Disability .......................................................... 44
- Casual Absences .......................................................... 44
- Workers’ Compensation .......................................................... 45
- Employee Assistance Program .......................................................... 45
- Health Risk Assessments .......................................................... 45
- Smoking .......................................................... 45
- Turnover .......................................................... 45
- Workplace Environment .......................................................... 45
- Other .......................................................... 45

**Appendix C**—Sample Calculations .......................................................... 46

**Appendix D**—Return-on-Investment Calculation: An Example .......................................................... 51

**Appendix E**—Bibliography .......................................................... 58
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Standard Life

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The Canadian Alliance for Sustainable Health Care (CASHC) was created to provide Canadian business leaders and policy-makers with insightful, forwarding-looking, quantitative analysis of the sustainability of the Canadian health care system and all of its facets.

The work of the Alliance is to help Canadians better understand the conditions under which Canada’s health care system is sustainable—financially and in a broader sense. These conditions include the financial aspects, and institutional and private firm-level performance, as well as the volunteer sector. Themes that will be covered in future reports include prevention, health care service delivery and spectrum of care, organizational design, alignment and performance, financing, human capital, innovation, technology and drugs, governance, and bioethics.

Launched in May 2011, CASHC actively engages private and public sector leaders from the health and health care sectors in developing its research agenda. Some 33 companies and organizations have invested in the initiative, providing invaluable financial, leadership, and expert support.

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As organizations struggle to remain competitive in an environment of constraint, there is unprecedented pressure to justify spending on all programs. Although senior leaders may know intuitively that spending on wellness initiatives is an investment in the health and productivity of the labour force, wellness practitioners must increasingly be prepared to demonstrate the direct benefit to the business in order to protect those investments.

The overarching purpose of this project is to provide organizations of all sizes—small, medium, and large—with advice on how to make the business case for investing in workplace health and wellness programs.

The report is based on an extensive literature review, a series of 10 in-depth case study interviews with employers of various sizes from a wide spectrum of sectors, and 13 key informant interviews with experts in health promotion, workplace wellness, and evaluation.

The results of the case study interviews will be published separately in a series of briefings, collectively titled Wellness Metrics in Action: A Spotlight on Employers. Each briefing outlines the organization’s wellness programs and the methods that the organization uses to evaluate its initiatives. These briefings provide invaluable information and guidance for employers that are trying to measure the impact of their own health and wellness initiatives.

The study was sponsored by Standard Life, Ceridian Canada, Homewood Human Solutions, Medavie Blue Cross, Mercer, Pfizer Canada, Sanofi Canada, TELUS Health Solutions, and the Canadian Alliance for Sustainable Health Care at The Conference Board of Canada.
Employers should invest in workplace wellness programs because it makes financial sense to do so. Investments in health and wellness programs can lead to reduced benefits costs, reduced absenteeism, reduced presenteeism, and higher productivity. These cost savings are often used to demonstrate the positive impacts of wellness programs on an organization’s bottom line. A successful workplace wellness program can also help build an organization’s profile as a socially responsible employer of choice, improving its ability to attract new talent and retain existing talent. Employers also need to keep in mind that such programs can help them fulfill their legal duty to create and maintain a safe and healthy workplace for their employees.

Calculating the return on investment for wellness programming is essential, yet less than 1 per cent of employers analyze the ROI in a rigorous way.

A comprehensive wellness program should include the following five essential elements:
- senior management commitment;
- a benchmark or baseline;
- wellness programming related to business needs;
- follow-up with participating employees; and
- an evaluation of the program and initiatives.

Wellness programming and resources to help employees maintain or improve their health are important, but so is ensuring the organization has a healthy organizational culture and healthy physical work environment.

Calculating the return on investment (ROI) for wellness programming is an essential element since it allows the organization to determine the financial benefits of the investments and can help sustain health and wellness programs in the face of competing organizational priorities. However, employers are still at the infancy stages when it comes to evaluating wellness programs. Although about a third of employers measure program outcomes, very few (less than 1 per cent) analyze the ROI of wellness programs in a rigorous way. Organizations are currently more focused on demonstrating positive impacts and outcomes than a positive ROI, and this is generally sufficient to satisfy senior leaders.

The return on investment is an economic evaluation that measures savings (or profits) against program expenditures (capital invested). Calculating ROI is deceptively simple, but often the individual cost and savings components can be difficult to quantify.

Employers struggle with measuring the ROI of wellness programs for many reasons. They often don’t have access to the right data or have difficulty integrating data from various services providers. They may also lack the staff, resources, and expertise needed to conduct a proper program evaluation, including measuring the ROI. And often the impacts from investments in wellness initiatives are intangible, subjective, and difficult to link directly to the wellness program itself.

The ability of an employer to show a positive return on investments in workplace health and wellness will depend on the type of programming offered. For example, employers that hold a single lunch-and-learn wellness session may see employee awareness of health increase, but they are unlikely to be able to generate significant savings for the organization. Employers whose programs are more targeted, integrated, and comprehensive will see the most significant returns on their investment.

For those employers that are ready to embark on calculating a formal ROI, this report outlines a variety of tools and metrics to help demonstrate the impacts and outcomes of investing in health and wellness initiatives. These include a metrics checklist, some sample calculations, an ROI worksheet, and a hypothetical example of an ROI calculation.

Employer focus on evaluating the outcomes of investing in health and wellness has grown steadily over the past few years—albeit from a very low level. It is our belief that this trend toward greater accountability will continue. As employers move toward wellness programs that are more comprehensive, the ability of health and wellness practitioners to demonstrate the ROI from these investments—and the onus on them to do so—will increase. Wellness practitioners have no reason to fear calculating ROI: If programs are correctly targeted to the health conditions most prevalent in the workforce, the financial return to employers will most certainly be positive.
“A healthy workplace will not only support employees to achieve wellness and quality of life goals but equally important will nurture learning, collaboration, and innovation.”

—Graham Lowe
Author, Creating Healthy Organizations

Chapter Summary

- Workplace health and wellness programs are becoming more prevalent in the Canadian business landscape.
- These programs enable employers not only to sustain the wellness of healthy employees but also to intervene to promote better health among those who are ill or have health risks.
- Employers invest in health and wellness programs to help control costs, enhance the organization’s reputation, and fulfill their legal responsibility to protect the physical and mental health of employees.

Workplace health and wellness programs are becoming more prevalent in the Canadian business landscape. There appears to be a disconnect, however, between what employers and employees think constitutes a wellness program. According to the 2011 Buffett National Wellness Survey, close to three-quarters of organizations reported that they offered wellness initiatives to their employees. Yet only a quarter (23 per cent) of employees who responded to the sanofi-aventis Healthcare Survey in 2011 indicated that their employers provided wellness programming. One possible explanation of this difference is that employees may not recognize that there is a wellness program if the elements of that program do not adequately target their needs. However, another potential explanation may be that employees are not aware of the programs offered by their employers. If this is the case, better communication strategies are required to inform employees about the corporate wellness programs available within their organizations.

What is a wellness program? Employee health and wellness programs are on- or off-site services that:
- promote and sustain good employee health;
- identify health-related risks in the employee population; and
- attempt to correct potential health-related problems.

WHY SHOULD EMPLOYERS INVEST IN WORKPLACE WELLNESS PROGRAMS?

Employers work to create a healthy workplace for three broad strategic reasons:

- to control the financial costs associated with an unhealthy workplace and to gain the benefits of a healthy workforce;
- to build the organization’s profile as a good and socially responsible employer; and
- to demonstrate legal due diligence toward their employees.

THE FINANCIAL CASE

In Canada, an aging population and anticipated labour and skills shortages are driving corporate investments in health and wellness. The number of days of work missed due to illness or disability tends to increase with an employee’s age as does the incidence of physical chronic disease (see box “Definition of Chronic Disease”). Therefore, costs related to employee benefits and absenteeism have the potential to increase significantly if employers do not put in place solutions to help older employees maintain and improve their health.

Yet many chronic conditions are preventable. In fact, it is estimated that 80 per cent of type 2 diabetes and heart disease cases and 40 per cent of cancer cases are linked to lifestyle behaviours that can be avoided. For example, the behaviours that result in obesity—a major risk factor for these chronic conditions—can be modified. In spite of this, the number of overweight or obese Canadians continues to increase. Over half of Canadians (51 per cent) self-reported that they were overweight or obese in 2010.

The increase in the incidence of chronic disease and of health risk factors in the workplace is a serious concern for Canadian employers. Employees with four lifestyle risk factors (such as obesity, physical inactivity, poor nutrition, smoking, or high alcohol intake) report 50 per cent more absences from work than those without these health risk factors. Further, treatments for chronic diseases such as heart disease and cancer are expensive and generate the majority of a company’s direct health-related costs. Employees who are obese are also associated

In 2005, Canada was losing $500 million annually due to chronic disease. These losses are predicted to reach $1.5 billion per year by 2015.

Definition of Chronic Disease

According to the World Health Organization, a chronic disease is a disease “... of long duration and generally slow progression.” This definition includes diseases such as diabetes, cancer, cardiovascular disease, respiratory disease, mental disorders, and arthritis.

1 World Health Organization, Health Topics.

The prevalence of certain chronic diseases and health risk factors (e.g., obesity, lower physical activity levels, poor diet) are already skyrocketing in the Canadian population. Of particular concern, Canada has the second-highest prevalence of diabetes among its peer countries, and the incidence of the disease continues to increase for both men and women. In 2005, the World Health Organization reported that Canada was losing approximately $500 million annually in national income from premature deaths due to chronic disease. These losses escalate each year and are predicted to reach $1.5 billion per year by 2015.

7 The Conference Board of Canada, “Health.”
8 World Health Organization, Preventing Chronic Diseases, 78.
9 The Conference Board of Canada, “Health.”
10 Kenneth, “Keynote Presentation.”
12 Statistics Canada, “Age-Standardized Rates.”
13 Shain and Suurvali, Investing in Comprehensive Workplace Health Promotion, 11.
with 77 per cent higher drug costs and spend approximately 35 per cent more on health services than their colleagues who are of healthy weight.\textsuperscript{14} In fact, costs incurred for disability and health services, as well as decreases in productivity, have all been directly linked with an employee’s health risk status.\textsuperscript{15,16}

Finally, the high prevalence of chronic mental health conditions in Canada is also a concern for employers. In Canada, mental health conditions and addictions account for approximately two-thirds of all disability insurance claims.\textsuperscript{17} Mental illness not only affects personal relationships and physical health, but it can also have a huge impact on workplace performance.\textsuperscript{18} And the workplace can exacerbate these issues. According to the 2010 sanofi-aventis Healthcare Survey, the majority of employees reported that their increased stress, fatigue, or insomnia was due mostly to work-related issues, and a third of respondents considered taking a formal leave of absence from their workplaces as a result.\textsuperscript{19} Fatigue, insomnia, and depression have been found to have the largest negative impact on workplace productivity.\textsuperscript{20}

What elements of the work environment contribute to this increase in mental health issues? A work environment can contribute to excessive strain when employees experience high job pressures (e.g., constant deadlines over long periods of time) but have too little influence over how the work is organized (i.e., low job control). This is particularly true if, at the same time, employees experience a high level of home or personal stress and lack a social support network.\textsuperscript{21} Excessive strain can lead to a number of health issues, including:

- occupational injuries;
- infections;
- cardiovascular disease;
- anxiety, depression, and hostility; and
- increased alcohol, tobacco, or drug dependence.\textsuperscript{22}

Similarly, if employees must expend a high level of effort to do their work (i.e., they require a high level of mental or physical energy) but feel unrewarded for their effort, this can also lead to a high level of strain and can result in adverse health conditions, including:

- cardiovascular disease; and
- anxiety, depression, and conflicts.\textsuperscript{23}

When employees experience excessive strain, it is often the result of a psychologically unhealthy work environment. The health risks associated with such a work environment are summarized in the box “Effects of an Unhealthy Workplace.” Excessive job strain is of particular concern as Canada becomes an increasingly knowledge-based economy, because a high incidence of job strain has been reported among knowledge workers.\textsuperscript{24}

<table>
<thead>
<tr>
<th>Effects of an Unhealthy Workplace</th>
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<tr>
<td>An unhealthy work environment poses many risks to employees’ health. These include:</td>
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<tr>
<td>• a fivefold increase in the risk of certain cancers;</td>
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<td>• a threefold increase in the risk of heart problems;</td>
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<td>• a threefold increase in the risk of back pain;</td>
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<tr>
<td>• a two- to threefold increase in the risk of on-the-job injuries;</td>
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<tr>
<td>• a two- to threefold increase in the risk of infection;</td>
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<tr>
<td>• a two- to threefold increase in the risk of conflicts;</td>
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<tr>
<td>• a two- to threefold increase in the risk of mental health issues; and</td>
</tr>
<tr>
<td>• a twofold increase in the risk of substance abuse.\textsuperscript{1}</td>
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\textsuperscript{1} Burton, The Business Case for a Healthy Workplace, 3.

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\textsuperscript{14} Burton, The Business Case for a Healthy Workplace, 6.
\textsuperscript{15} Goetzel and others, “The Relationship Between Modifiable Health Risks and Health Care Expenditures,” 6.
\textsuperscript{17} Attridge, A Quiet Crisis, 14.
\textsuperscript{18} The Conference Board of Canada, “Health.”
\textsuperscript{20} World Economic Forum, Working Towards Wellness, 3.
\textsuperscript{21} Health Canada, Best Advice on Stress Risk Management, 8.
\textsuperscript{22} Health Canada, Best Advice on Stress Risk Management, 8.
\textsuperscript{23} Ibid., 9.
\textsuperscript{24} Lowe, Under Pressure, 19.
The ability of employers to attract, recruit, and retain these knowledge workers will depend on the flexibility they offer in their work arrangements.

By implementing comprehensive health and wellness programs, employers can not only delay the costs associated with unhealthy workplaces and employees but also prevent them.

Organizations need to stand out among the rest and focus on issues that are important to the younger generations.

THE PROFILE OF THE ORGANIZATION
Organizations that care for the well-being of their employees create positive, engaging work environments and are better able to recruit, retain, and engage employees. Workplace wellness programs demonstrate the value that the organization places on its workers. Increasingly, one of the top human resources challenges is recruiting and retaining top talent, especially with an aging population and the retirement of the baby boomers. Organizations need to stand out among the rest and focus on issues that are important to the younger generations. Becoming an employer of choice by creating a healthy workplace will help organizations attain the profile they need to attract, recruit, and retain excellent workers. As well, senior executives are now linking an organization’s corporate reputation with a healthy workplace.

THE LEGAL CASE
Employers have a legal duty to provide their employees with a physically and psychologically safe work environment. Organizations have long recognized the important legal responsibilities they have in ensuring a safe physical working environment for employees. These legal responsibilities are detailed in Part II of the Canada Labour Code and in provincial and territorial occupational health and safety acts and regulations. Penalties and fines under this legislation can often be severe.

Increasingly, psychological working conditions are also a focus. Many provinces have implemented specific legislation regarding harassment and violence in the workplace. As well, a new voluntary standard is being developed by the Mental Health Commission of Canada, in partnership with the Canadian Standards Association and the Bureau de normalisation du Québec, to ensure that employers are also protecting the mental health of employees. Since work conditions can lead to certain mental health conditions such as depression, anxiety, and burnout, such conditions could be considered to be occupational injuries. Judges, arbitrators, and commissioners are now identifying employer behaviour that may cause mental injury to employees, and legal action is being taken under human rights and occupational health and safety codes, as well as other types of legislation. Since 2005, financial awards for mental injuries at work have increased significantly. Courts and tribunals are now insisting that employers create a more civil and respectful workplace for their employees and avoid conduct that a reasonable person would believe leads to mental injury.

HOW DO WELLNESS PROGRAMS MAKE A DIFFERENCE?
In today’s highly competitive business environment, keeping employees at work and engaged is quickly becoming a significant workplace issue around the world. Business leaders are exploring different ways to tackle rising health care and disability costs, increasing employee turnover, and losses in productivity resulting from health-related issues. They are maximizing organizational performance by creating healthy workplaces and investing in comprehensive workplace health and wellness programs for their employees. (See Exhibit 1.)

29 Human Resources and Skills Development Canada, Information on Occupational Health and Safety.
30 Mental Health Commission of Canada, National Standard of Canada.
31 Shain, Tracking the Perfect Legal Storm, 3–4, 18.
32 Ibid., 24.
Education and awareness are required if Canadians are to take accountability for their health. And this has been very successful in reducing some risk factors such as smoking, for example. Canada now registers one of the lowest percentages of smokers among Organisation for Economic Co-operation and Development countries because of public awareness campaigns and public smoking bans across the country. Similar actions can be taken to reduce other health risk factors. Employers can help reinforce health-related messages through the wellness programming they provide to employees.

Employees must also be educated in how to better manage chronic illnesses. Many conditions can be treated and managed with medication. However, many people do not stick to their drug regimen and this impedes effective treatment of the condition. A recent survey found that 1 in 10 Canadians reported that he or she did not fill or renew a required prescription or attempted to make an existing prescription last longer because of the cost of the medication. Employers can once again help support their employees by ensuring that employees receive education on the negative health effects of not following doctor’s orders. This messaging can be provided during educational sessions organized as part of a comprehensive workplace health and wellness program.

33 The Conference Board of Canada, “Health.”
35 Ibid., 300.
“We have to move from illness to wellness. Businesses will have to invest in wellness. There is no choice. It’s not philanthropy. It’s enlightened self-interest.”

—Shrinivas M. Shanbhag
Medical Advisor, Reliance Industries, India

Although the majority of Canadian organizations (72 per cent) offer at least one workplace wellness initiative, only about a quarter (23 per cent) indicate that they have an integrated, targeted comprehensive wellness strategy. Yet a comprehensive wellness program is essential to getting the full organizational benefits of a healthy workplace. How can wellness leaders develop a more effective approach that motivates their employees to take accountability for their health? After all, in order for wellness programs to be effective, employees must be engaged in the programs and participate in the activities. Employee engagement and participation remain a challenge. According to the 2010 sanofi-aventis Healthcare Survey, only 39 per cent of employees report that they participate regularly in their organization’s wellness programs. Much remains for employers to do in order to move toward wellness programs that are integrated and comprehensive.

As a first step in developing a comprehensive workplace wellness program, employers must identify the factors that influence their employees’ health and well-being.

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WHAT INFLUENCES AN EMPLOYEE’S HEALTH AND WELL-BEING?

Two factors influence an employee’s health status:
- individual employee characteristics (e.g., genetics, lifestyle choices, beliefs, attitudes, and values); and
- workplace characteristics (e.g., job design, organizational practices and programs, managers and supervisors, work climate, and physical work environment).  

Employers have full control over the workplace characteristics that affect employee health and can do more to support and maintain employee health and well-being.

Employers can exert a significant influence on individual employee characteristics (aside from genetics) by implementing a comprehensive workplace wellness program that meets the needs of employees and by ensuring that employees are motivated to participate in the initiatives. Further, employers have full control over the workplace characteristics that affect employee health. Therefore, there are many things that employers can do to better support and maintain employee health and well-being and create a healthy workplace.

HOW CAN EMPLOYERS CREATE A HEALTHY WORKPLACE?

Employers have three direct ways to create a healthy workplace and influence the health and well-being of their employees. They can:
- create a healthy organizational culture;
- establish a healthy physical work environment; and
- provide personal health resources and supports.

ORGANIZATIONAL CULTURE

The daily attitudes, values, and beliefs that are displayed in the workplace create an organization’s culture or psychosocial environment. And this organizational culture can dramatically impact the mental and physical health of employees. To foster a healthy organizational culture, an employer can:
- promote respect in the workplace;
- encourage an open-door policy;
- reward employees adequately for their work;
- give employees autonomy over how their work is done;
- balance workloads;
- ensure that employees’ jobs are challenging and provide opportunities for development; and
- offer work-life supports and flexible work arrangements.

PHYSICAL WORK ENVIRONMENT

The physical work environment can also affect employee health. Employers can create an environment that promotes the well-being of employees by ensuring that traditional occupational health and safety hazards are recognized, assessed, and controlled. These hazards include chemical, musculoskeletal, electrical, and machine hazards.

PERSONAL HEALTH RESOURCES

Organizations can provide a wide array of resources, opportunities, and flexible arrangements to support employees’ efforts to improve or maintain their health status. These supports can include:
- educational workshops on a variety of health promotion or disease prevention topics;
- smoking cessation programs;
- stress management training;
- weight loss support;
- healthy food choices in the cafeteria and in vending machines;
- immunization clinics;
- programs or practices to address the risks associated with sedentary work;
- fitness facilities or fitness subsidies; and
- flexible work arrangements so that employees can exercise and balance work–life demands.

4 Ibid.
7 Ibid.
8 Ibid.
A well-structured, targeted, comprehensive workplace wellness program that is integrated into the organizational strategy and goals can address all of these issues. These programs can help employers to develop and maintain a healthy organizational culture, ensure that the physical work environment is safe, and provide health resources for employees who wish to take accountability for their own health.

WHAT IS A COMPREHENSIVE WORKPLACE HEALTH AND WELLNESS PROGRAM?

Comprehensive workplace wellness programs include a number of similar elements. These include:

- senior management buy-in;
- a benchmark or baseline;
- multiple wellness activities;
- follow-up with employees; and
- continuous evaluation of the program and initiatives.9

Knowledge and awareness of health issues vary greatly among employees. An effective wellness strategy supports employees who are physically and mentally healthy, as well as those who have health risk factors or diseases.10 It can be a challenge to address the needs of all employees, given that their health status varies widely.

Workplace wellness strategies fall into three categories:

- primary prevention strategies;
- secondary prevention strategies; and
- tertiary prevention strategies.

Primary prevention strategies are created to maintain the health of people who are mentally and physically fit.11 They can include health promotion events, education workshops, lifestyle management courses, and ergonomic assessment programs, among other initiatives. To sustain the mental health of employees, actions at the primary level directly target the causes of stress within the organization, with a focus on eliminating them.12

Secondary prevention strategies identify the health risk factors and medical conditions present in the workplace.13 These can include screening and early detection programs, health risk assessments, biometric screening, health coaching, and illness or disability prevention programs. Secondary-level initiatives that focus particularly on mental health help develop employees’ ability to recognize and manage their reactions to stressors. These initiatives can include conferences and information sessions.14

Finally, tertiary prevention strategies provide early interventions and can help decrease the impacts of serious or chronic medical conditions. They also help to increase and restore employee productivity and reduce future health-related costs.15 These interventions can include disease and disability management programs, return-to-work programs, and vocational rehabilitation. Tertiary interventions that promote an employee’s mental health include counselling services, employee assistance programs, and return-to-work programs.16

HOW TO STRUCTURE A COMPREHENSIVE WELLNESS PROGRAM

One comprehensive approach to wellness programming, the Operational Pyramid Planning Model, is shown in Exhibit 2. In this model, critical initial elements of the program plan (e.g., ensuring senior leadership commitment and organizational readiness) are integrated with population-specific interventions (e.g., activities aimed at reducing health risk factors).17

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For the purposes of this research, the Operational Pyramid Planning Model has been modified and additional information from key stakeholder interviews has been added to create a new framework for creating a comprehensive workplace health and wellness program. (See Exhibit 3.)

The framework can be broken down into several steps, including:
- setting the stage (i.e., a pre-assessment step);
- program design (i.e., program planning);
- program implementation;
- program management; and
- program evaluation.

The framework is based on the principle of continual improvement. The program is evaluated periodically, and this information provides feedback for wellness leaders and senior management on how to modify the program to better fulfill organizational goals.

“A successful wellness strategy needs a firm budget; written with a pen, not with a pencil.”

—Marie-Claude Pelletier
President and CEO, The Healthy Enterprises Group

**SETTING THE STAGE**

Before creating and implementing a wellness strategy, an organization should:
- ensure that senior management is ready to support a workplace health and wellness program with adequate human and financial resources;
- set up a wellness committee with representation from all divisions and all levels of the organization;
- bring all suppliers and third-party vendors to the table to identify the health-related cost drivers within the organization and to optimize each of their offers;
- get a baseline measurement of the health status of the workforce through health risk assessments or health screening clinics;
- develop a communication strategy to inform all key stakeholders (e.g., senior management, employees, front-line and middle managers, unions) of the purpose and details of the program; and
- build a business case, using internal data that demonstrate the possible ROI, to secure appropriate funding over time.

It is essential to create a wellness committee before designing and implementing a wellness program to ensure the success of the initiative. The creation of the committee allows employees to take ownership of the program and enables the organization to identify health champions, who can communicate the wellness messages to the rest of the employee population. Take, for example, the Nova Scotia Liquor Corporation (NSLC), which has a healthy workplace representative in every one of its 106 stores across Nova Scotia. These “champions of a healthy workplace” promote the organization’s health
and wellness programs and engage employees in activities. The NSLC believes these champions have been a key factor in the programs’ continued success.\footnote{See the full case study profile in Hoganson, Wellness Metrics in Action: A Spotlight on Employers—Nova Scotia Liquor Corporation.}

It is best for the committee to be composed of a representative mix of employees with respect to job type and level. Further, a senior leader should also sit on the committee. The role of the senior leader is to ensure that any organizational barriers encountered by the committee are removed. As a best practice, committee members should be able to attend meetings during work hours. As well, their workload should be examined to ensure that members are not struggling to balance work demands with the new committee responsibilities.

In order to ensure the full participation and engagement of employees, managers, and unions, a communication strategy should be developed before the launch of the wellness program. Although the wellness strategy is usually set by senior management, it is easier to ensure the support of these other key stakeholders if they have input right from the start into developing the wellness initiatives based on the strategy.

Finally, it is important to get a baseline measurement of the health of the workforce at the outset of a wellness program. This baseline measurement should identify the predominant medical conditions and the leading health risk factors in the employee population. However, less than one-fifth (18 per cent) of organizations currently measure baseline data in Canada.\footnote{Sun Life Assurance Company of Canada, 2011 Buffett National Wellness Survey, 22.} Employers are missing the opportunity to capture important information on their workforce.

Since many health risk factors can be addressed by lifestyle changes, this preliminary snapshot of the organization’s workforce will influence the design of the program. The information gained during this initial measurement can also be used to build the business case for setting up and maintaining a wellness program. As well, the information can be used to ensure that the interventions offered by the program target the most important health risk areas. Finally, it can also be used to measure the impact of the program after two or three years and to make modifications, if needed. Without this information, no comparative analysis can be done and wellness leaders cannot measure the impact of their programs.

A few Canadian organizations are collecting baseline measurements and evaluating the impact of their wellness programs against this benchmark. For example, the Société de l’assurance automobile du Québec (SAAQ) conducted an analysis of the impact of its wellness...
strategy to obtain continued support for its program. It found that, between 2002 and 2005, its wellness initiatives had led to a significant decrease in psychological stress, musculoskeletal conditions, and blood pressure issues within the employee population. Without any baseline information, the SAAQ would not have been able to measure these impacts.

**PROGRAM DESIGN**

The design of a comprehensive workplace wellness program has two purposes. It should:

- target specific employee behaviours that control the health risk factors identified by the baseline measurement; and
- maintain the health of employees who are already in good health.

As well, the program design should:

- address the physical, psychological, and social health of employees;
- include both collective and individual interventions; and
- involve front-line managers and educate them on the link between health and productivity.

First and foremost, workplace wellness programs must be aligned with an organization’s culture. To illustrate, Lakeside Process Controls, a provider of process automation solutions, was very aware that employee competition was a big part of its organizational culture. By including more physical activities and challenges when it designed its health and wellness program, Lakeside motivated employees to improve their health and well-being.

The details of the program design and the interventions offered by wellness leaders will be different for each organization. Nevertheless, there are some general steps that can be taken to help ensure that the program is effective. First, wellness leaders can organize a high-profile annual event that brings together all employees in order to motivate them to take action on their health. For a large organization, this may be a series of events spread out over a couple of weeks to ensure that the wellness team interacts with all employees. The event should include an educational component (e.g., a wellness fair with information kiosks). Above all, it is important to communicate a strong, common health message to employees during this event or series of events.

Interventions should be specific to the organization’s health profile but must also take account of employees’ readiness to change their behaviour.

A comprehensive wellness program must go beyond an annual event, however. The purpose of a wellness strategy is to ensure that each employee becomes more aware of his or her own health status and begins making healthier lifestyle decisions. This can be achieved by offering health risk assessments, other questionnaires on various health topics, or biometric screening clinics. This not only allows the organization to obtain a snapshot of the health profile of its workforce, but it also makes individuals more aware of their own health risks and the impact of any lifestyle changes on their health.

After an organization has identified the predominant health risks and medical conditions in its workforce, the wellness leader can develop a series of interventions targeting these particular risks to encourage behavioural change among employees. For example, if obesity has been identified as an issue, the wellness leader can organize smaller classroom-type sessions on nutrition, set up exercise classes, or implement a health coaching program. These interventions will be specific to each organization’s health profile. To be effective, however, the programming must also take account of employees’ readiness to change their behaviour. For example, consider an organization that has identified several risk factors in its workforce, including smoking and obesity. The health risk assessment, however, shows that while obese employees are interested in losing weight, smokers are not interested in smoking-cessation information. It is more effective,

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21 See the full case study profile in Hoganson, *Wellness Metrics in Action: A Spotlight on Employers—Lakeside Process Controls*.
in this situation, to focus on obesity in general communications to employees and to offer smoking-cessation support only if requested by individual employees.

Comprehensive wellness programs must go beyond targeting individual lifestyle choices to supporting a healthy workplace. In other words, they must have an organizational focus. The work environment and organizational practices must be consistent with the organization’s health message. Some examples to consider are:
- the food options in the cafeteria, in vending machines, and at organizational events;
- the focus on safety in the workplace;
- the availability and awareness of work-life balance initiatives; and
- management practices in relation to the mental health of employees.

The work environment and organizational practices must align with the health message, and wellness programs must meet the needs of the workforce.

The bottom line is that wellness programs must be designed with the needs of the workforce in mind. Employees should provide regular input on the initiatives that could be offered as part of the wellness program.

**PROGRAM IMPLEMENTATION**

Consistent, ongoing, and targeted communication to employees is essential to the successful implementation of wellness programs because this helps foster employee engagement and participation in wellness activities. Depending on the comprehensiveness of the initiative and the number of worksites, the wellness leader may decide to:
- conduct a pilot program;
- roll out a phased implementation of the wellness program; or
- institute a company-wide program.

To encourage strong employee participation, senior management must be seen to be supportive of the wellness initiative. The communication strategy must be implemented with a strong marketing campaign and, ideally, a branding of the program. Information on the wellness program must be easily accessible for all employees.

A special communication strategy is required to ensure the active and positive participation of union representatives and front-line managers. Unions are particularly concerned, for example, with preserving the confidentiality of medical or health-related information. It is important to address these concerns during face-to-face meetings with union representatives. Front-line and middle managers must be educated on how health affects the productivity of employees and reassured that the wellness initiatives will not add to managers’ already very full workloads.

**PROGRAM MANAGEMENT**

This step involves the day-to-day management of the wellness initiatives. It includes the coordination of health promotion offerings, administration related to providing appropriate staffing at events, management of vendor relations, management of quality assurance processes, data collection, and management of processes for reporting program impacts to employees and senior management.

Once again, high employee participation in regular wellness interventions is crucial for the success of the program. Employee participation and satisfaction rates should be measured and evaluated for every event offered by the wellness team. This enables the wellness leader to modify offerings if employees no longer respond actively and positively to them. It also enables the wellness leader to ensure that successful activities are enhanced. For instance, Toronto East General Hospital (TEGH), an award-winning, community-based hospital, conducts regular surveys, asking specific questions about the wellness program to ensure it continues to meet the needs of employees.

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22 Partnership for Prevention, *Healthy Workforce 2010 and Beyond*, 34.

23 See the full case study profile in Hoganson, *Wellness Metrics in Action: A Spotlight on Employers—Toronto East General Hospital*. 
PROGRAM EVALUATION
An in-depth evaluation of the program is required annually to measure the impact of the initiatives on the outcome measures defined during the planning process. These include employee health profile changes but also changes in organizational data, such as absenteeism and turnover. Although not all impacts will be measurable on a yearly basis, positive changes in the health status of the employee population should be observed. This step enables the wellness team to decide whether the initiatives are having the intended impact or whether the program needs to be fine-tuned. It completes the wellness programming cycle. If modifications are required after evaluation of the program, the wellness leader must re-examine the program design.

Periodically, the wellness team may decide to conduct a more thorough evaluation of the wellness program by calculating the return on investment. A positive return on investment provides invaluable information to offer to senior leaders when trying to prove the benefits of a program. Such an evaluation, however, should not be done unless the program is comprehensive and targeted. One-off events are unlikely to demonstrate a positive ROI, and basic wellness interventions bring no more than limited results. Organizations can expect to see more significant results (e.g., a positive ROI) only if they have implemented a strategic wellness program.

Various types of evaluations that can be used to measure the impact of a wellness program are discussed in more detail in the following chapter.
Chapter Summary

- Evaluating the effectiveness of workplace wellness programs is important not only to justify expenditures to senior leaders but also to ensure efforts are being directed where they will have the greatest impact.

- Canadian employers are at the infancy stages of evaluating health and wellness programs, and very few measure the return on investment in a rigorous way.

- Employers often fail to measure the effectiveness of workplace wellness programs because they lack the required funds, staff, and expertise.

- Stakeholders that can help employers measure the impact of investments in health and wellness programs include insurers, employee assistance program providers, health and benefits consultants, pharmaceutical companies, public health units, and disease advocacy groups.

“The most important figures that one needs for management are unknown or unknowable, but successful management must nevertheless take account of them.”

—Lloyd S. Nelson

Founding editor, Journal of Quality Technology

WHY MEASURE OR EVALUATE WORKPLACE WELLNESS PROGRAMS?

The adage “you can’t manage what you can’t measure” is as applicable to workplace health and wellness programs as it is to any other management activity.

Today’s business environment is competitive. CEOs and CFOs are focused on containing costs and driving profit to maximize the bottom line. In this context, companies need to know whether they are getting a return on their investment in health and wellness programming. Competition for available funding means significant pressure to justify all expenses and support only those seen as “core” to organizational performance.
Evaluating current wellness programs can also help organizations determine which aspects of the programs are working and whether resources need to be redirected to other activities where they will have greater impact. Organizations that are truly committed to health and wellness programs, and want to continually improve them, must monitor success and make necessary adjustments.

Demonstrating positive outcomes from health and wellness programs can also rally the organization, including executives, behind a program’s success. It encourages employees to participate in future wellness activities, increases engagement, and shows non-participating employees what can be achieved.

Evaluation of wellness programs is not just about being able to demonstrate a dollar return on investment. In fact, employers are more focused on demonstrating positive outcomes such as reductions in the number of short-term disability claims, savings in workers’ compensation premiums, and increases in employee engagement levels. Metrics allow organizations to gauge progress and ensure accountability.

WHAT IS ROI?

Fundamentally, measuring the return on investment of health and wellness programs is one way to measure the net benefits of programs against program costs. The ROI calculation itself is deceptively simple, as shown in the box “Formulae for Calculating ROI.” However, determining the savings and understanding how much a health and wellness program contributed to those savings is difficult. Even calculating program costs can be challenging. Rigorous ROI analysis requires a comprehensive review of data on casual absences, short- and long-term disability claims, employee assistance programs (EAP), prescription drugs and extended health plans expenditures, and workers’ compensation claims.

Major calculation mistakes can be made if:
- significant costs or benefits are excluded;
- baseline data are not measured right from the beginning;
- impacts and outcomes are wrongly associated with the program;
- benefits occur after the period when the evaluation took place; and
- influences that arise from outside the workplace are not recognized.1

A common question is what kind of return, over what time period, is necessary to justify an investment in a health and wellness program? Most workplace health and wellness programs take from three to five years to generate a positive return. However, that doesn’t mean that an organization cannot see positive impacts much sooner—even within six months of implementing a program. Organizations can expect to see positive results quickly when targeted, intensive programs are introduced. On a yearly basis, better workplace climate, better employee engagement, and positive changes in the health status of the employee population should be observed. These improvements are reflected not only in individual employee health profiles but also in organizational data such as absenteeism and turnover.

IS ANYONE MEASURING ROI?

Currently, Canadian employers are at the infancy stages of evaluating health and wellness programs and are certainly not using sophisticated ROI calculations. According to the 2011 Buffett National Wellness Survey, just over a third of employers (36 per cent) continuously evaluate program outcomes, and only 31 per cent calculate ROI.2

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1 Marchand and Durand, “Psychological and Biological Indicators,” 8.
Similarly, a 2010 study by The Conference Board of Canada found that approximately 20 per cent of Canadian employers attempted to analyze at least some measures of ROI but fewer than 1 per cent are measuring ROI in a more rigorous way.3

It is interesting that even in the United States, where stronger financial incentives exist, employers are not more focused on measuring the ROI of health and wellness programs. In 2008, 26 per cent of U.S. employers with wellness programs measured ROI.4 Tracking data suggest that the percentage of organizations measuring ROI has been increasing modestly in the U.S. over the last several years (from 19 per cent in 2006).5

A few Canadian companies, such as Desjardins Group, have been able to calculate a dollar return on investment.6 However, these examples are not representative of what the majority of employers are doing. Employers are currently more focused on program outcomes as a way to measure success. Some measures such as participation rates, employee satisfaction with the program, and employee engagement are fairly widespread, but even these more elementary measures are not used universally.

**BARRIERS TO MEASUREMENT**

So why are employers not measuring the impact of their investments in health and wellness programs? There are many reasons, including:

- difficulty collecting and integrating data from a variety of external vendors (e.g., insurers, EAP providers);
- inadequate knowledge of the types of questions to ask vendors;
- privacy/confidentiality issues;
- subjectivity of data that are self-reported by employees;
- lack of a baseline measure or control group to compare against; and
- a short- rather than long-term focus on financial returns.

According to a 2010 report by Towers Watson, more than a third of all Canadian employers reported that they were unclear about how to measure the impact of health and wellness programs.7 As well, employers may not measure program outcomes if they do not view health and wellness programs as strategically important and aligned with business outcomes. In these cases, health and wellness programming may be implemented as an “add-on,” with a focus on holding a few fun activities for staff to boost morale, generate some brand profile, and help achieve a top-employer status. For these employers that are not striving to affect health outcomes for employees, evaluation is not a necessary focus.

**IS BIGGER ALWAYS BETTER? EVALUATION FOR SMALL BUSINESSES**

Evaluating health and wellness programs in a smaller company is a very different challenge from doing the same in a larger organization. In some respects, small employers face additional barriers. They have different needs and resources than larger organizations, which may either have dedicated personnel or be able to afford to contract with experts. Also, for confidentiality reasons, smaller employers are not able to access information that is as detailed as that available to larger employers. Companies with fewer than 25 employees, for example, may need to pool data from health risk assessments with those of other employers in the same industry. Smaller companies may also not have automated systems, such as human resources information systems, in place to facilitate reporting. Trends may also be more difficult for smaller

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6 See the full case study profile in Chénier, *Wellness Metrics in Action: A Spotlight on Employers—Desjardins*.

organizations to identify since data can fluctuate widely from year to year based on a small number of cases. These fluctuations may or may not indicate a pattern.

However, in some respects, it may actually be easier for smaller companies to evaluate the impact of their investments in health and wellness. Smaller companies typically work with fewer external services providers, making it less complicated to integrate data. Also, it is simpler to conduct employee surveys and questionnaires because not only are there fewer people to canvass, but employees are also more likely to be located in the same physical location. For smaller companies, it may also be less important for senior leaders to see evidence of positive outcomes. These leaders can more readily see the intangible impacts—the camaraderie and engagement created by the health and wellness programs—through direct interactions with employees. Also, leaders in smaller organizations that have invested in a workplace wellness program often intrinsically support the initiative: they don’t expect to be able to measure its financial impact. Consider The Williamson Group (TWG), a family-owned benefits consulting and financial services firm in Brantford, Ontario. TWG does not currently calculate the ROI of its wellness program and is less concerned with the “hard” numbers. Management receives the confirmation it needs from positive employee feedback and inspirational anecdotes.8

WHERE CAN EMPLOYERS GET SUPPORT?

Employers, particularly large employers, typically work with a number of external services providers and consultants that can help them measure the impact of investments in health and wellness programs.

The following stakeholders can play an important role in supporting employers’ efforts to measure the impact of investments in health and wellness programs:

- **Benefit plan insurers** provide links to reputable information sources and various expert organizations on their websites and in their client and plan member communication materials. These insurers can be integral partners in assembling data on short- and long-term disability rates and prescription drug and extended health claims.

- **Employee assistance program providers** can assist employers by conducting health risk assessments (HRAs), employee health scans, on-site health and wellness clinics, and providing data on health risks, program participation rates, and other indicators.

- **Health and benefits consultants** provide consulting on workplace wellness, as well as disease and disability management. They can assist employers in integrating data from a variety of vendors and in evaluating their programs. Some can help to conduct a thorough ROI evaluation.

- **Wellness and health promotion providers** provide services such as health risk assessments, biometrics screening, wellness fairs, health challenges, educational material, health coaching, behaviour modification programs, and a wide variety of wellness interventions. They also provide tools for measuring changes in health risk factors and health behaviours. Some can assist in measuring the overall impact of a workplace health and wellness program, as well as provide in-depth prevention and health promotion tools for employees.

- **Pharmaceutical companies** provide high-quality educational material on the prevention and management of conditions for which they have a significant therapeutic product. Such material does not typically endorse a company’s own drug. Some companies help employers measure the impact of their wellness programs.

- **Provincial and regional public health authorities** are mandated to address workplace health issues, though not all are able to devote adequate resources to this role. Many will conduct some assessment and evaluation exercises, though they have neither the resources nor the mandate to deliver programming.

- **Disease advocacy organizations** (e.g., the Canadian Cancer Society, Canadian Diabetes Association, Heart and Stroke Foundation, and Canadian Mental Health Association) provide some information and services focused on employers and workplaces.

Table 1 presents a summary of the ways in which these stakeholders are often able to help employers measure the impact of investments in health and wellness programs.

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8 See the full case study profile in Hoganson, *Wellness Metrics in Action: A Spotlight on Employers—The Williamson Group*. 
However, services providers are not being flooded with requests for assistance or data from employers wanting to measure ROI. The focus on measurement and outcomes has so far largely been driven by the services providers themselves.

For example, many benefit plan insurers proactively provide clients with company-specific data at renewal time and make suggestions on potential solutions, services, and plan design changes based on their analysis of the information. Several benefit plan advisors have also begun offering clients a service that consolidates data from a variety of an employer’s vendors in order to tease out key trends affecting the health of employees. As well, the advisors may facilitate face-to-face meetings to generate a dialogue between the parties.

Many employers are unclear about what information to ask for from their services providers or even where to start when it comes to evaluating the impacts of their investments in wellness programs. Employers need more education about what data are available from services providers. Some suggestions to consider before approaching services providers to request evaluation data can be found in the box “How to Get the Right Information From Services Providers.” A checklist of metrics for employers to consider is provided in Appendix B.

The following chapter explores in more depth specific tools and measures employers can use to assess the impacts of health and wellness programs.

### Table 1
Sources of Measurement Support for Employers

<table>
<thead>
<tr>
<th>Source of Measurement Support</th>
<th>Benefit plan insurers</th>
<th>Employee assistance program (EAP) providers</th>
<th>Health and benefits consultants</th>
<th>Wellness/health promotion providers</th>
<th>Pharmaceutical companies</th>
<th>Provincial/regional public health authorities</th>
<th>Disease advocacy organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assemble data on short- and long-term disability indicators, prescription drug and extended health claims</td>
<td>x</td>
<td>x (some)</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide educational materials</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Offer health risk assessments (HRAs), screening clinics, wellness coaches, lunch and learns</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide outcome measurements</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>(some)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Calculate return on investment (ROI)</td>
<td>x (some)</td>
<td>x (some)</td>
<td>x (some)</td>
<td></td>
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<td></td>
<td></td>
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</tbody>
</table>

Source: The Conference Board of Canada.
Tools for Evaluating Workplace Wellness Programs

Chapter Summary

- An important first step is to establish a benchmark against which to evaluate results achieved from the implementation of a workplace wellness program.
- There are a number of well-established metrics available for employers to use in tracking changes in benefits costs, drug costs, presenteeism, short- and long-term disability costs, and workers’ compensation claims.
- Although presenteeism can be difficult to measure, a number of validated self-reported tools are available in the marketplace.
- Investments in health and wellness programs can have positive impacts on a number of other more intangible areas, including turnover, recruitment, and employee satisfaction and engagement.

“Measure what can be measured, and make measurable what cannot be measured.”
—Galileo Galilei

It is clear that an unhealthy workforce can reduce profits and affect the bottom line of an organization—in increased absenteeism and presenteeism, more short-term disability (STD) and long-term disability (LTD) claims, and increased medical costs.1 Although rising medical costs are often a focus for employers, the cost of productivity losses among workers with chronic diseases, physical illnesses, or mental health issues is estimated to be almost 400 per cent higher than the cost of treating the disease or illness itself.2

This chapter discusses the tools employers can use to help them evaluate the impact of their health and wellness programs.

ESTABLISHING A BASELINE MEASUREMENT

Recognizing and understanding the health risks of a workforce is essential when devising a successful and sustainable health and wellness program. Assessments help to identify the health risks that the wellness program should target. Health risks can be assessed using a variety of tools, including health risk assessments, biometric screening, and examination of the organization’s benefits costs, absenteeism rates, and short- and long-term disability claims.

1 Burton, “Creating Healthy Workplaces,” 7.
2 Stonebridge and Sullivan, Addressing Chronic Diseases, 4.
Health risk assessments and biometric screening are some of the best tools for establishing a baseline before implementing a new health and wellness program. Unfortunately, only 18 per cent of organizations report that they gather baseline data.3

HEALTH RISK ASSESSMENTS

Health risk assessments survey the health of employees and provide them with an evaluation of their health risks. These assessments are important tools, providing a solid, yet relatively inexpensive, starting point for employers that want to determine the most prevalent health issues in a workforce. Not only do HRAs offer baseline data to employers, but they also increase employees’ awareness of their own health risks—potentially making them more open to changing unhealthy behaviours. Although HRAs are subjective, they are an excellent tool to use in designing a wellness strategy.4

Usually, an HRA includes three key components—a questionnaire, a risk calculation (or personal scorecard), and some form of feedback (e.g., face-to-face meeting with a health advisor or an automated online report).5 The questionnaire covers:

- demographics;
- physical activity;
- nutrition;
- general health (e.g., sleep patterns, smoking, alcohol intake);
- social and environmental wellness;
- mental wellness;
- medical conditions and medications; and
- readiness to change.6,7

Aside from health-related questions, HRAs often include some optional questions related to employees’ perceptions of the organizational culture (e.g., morale, satisfaction, and engagement). For instance, employees might be asked to rate their level of agreement on a five-point scale with statements such as, “I enjoy my work” or “I am satisfied with my ability to manage and control my workload.”8 Some HRAs are also held in conjunction with biometric testing, so that employees can provide more accurate answers. Conducting a health risk assessment and biometric testing at the same time provides the employer with a more in-depth analysis of the health and well-being of the workforce.

Appendix C contains a variety of sample calculations for metrics related to health risk assessments and a number of other areas.

BIOMETRIC TESTING

A biometric test is a short health screening test that is typically done on-site at the workplace by a medical professional. It assesses a variety of factors such as:

- blood pressure;
- lipid profiles (e.g., high- and low-density lipoprotein [HDL/LDL], triglyceride, and total cholesterol levels);
- glucose levels;
- nicotine levels; and
- body composition (e.g., height, weight, body mass index, body fat, and waist circumference).9,10

Used in conjunction with HRAs, biometric testing is an important component of a comprehensive health and wellness program. Not only does this testing help identify current and potential medical problems, but it also helps the employer understand which programs could have a greater impact on reducing health costs.11

HOW TO USE BASELINE DATA

After testing, employers will have an aggregate picture of the different health risk factors and overall health status of the employees in their organization. Although individual

6 Loszach, “Improve Your ROI With a Wellness Diagnostic.”
7 Atlantic Health and Wellness Institute, “Online Health Assessment.”
8 Government of Indiana, “Sample Health Risk Assessment.”
9 Buffet, “Don’t Reinvent the Wheel.”
10 Hubbard, “From Awareness to Action,” 21.
11 Buffet, “Don’t Reinvent the Wheel.”
employee results are confidential, the aggregate data can help alert an organization to the most prevalent health risks in the workforce and help it to profile the health status of the employee population. The number of health risks an employee has places that employee in the low-risk (zero to two risks), medium-risk (three to four risks), or high-risk (five or more risks) category.\(^1\)

Employers not only become aware of the top health risk factors but can also develop a sense of employee willingness to change risky behaviours. Equipped with this information, employers are able to target their programs and supports more effectively.

The benchmarking data obtained from health risk assessments and biometric testing can serve as a baseline against which to compare future data. This can help the organization assess the impacts of the health and wellness program on its workforce. If an employer sees a number of “unhealthy” employees move into the “healthier” categories (e.g., the low-risk group), this can translate into a decrease in future costs.\(^1\) Even though the organization may not generate any cost savings at this point, it knows it is on the right track to a healthier workforce. For instance, Marine Atlantic, a federal Crown corporation that provides passenger and commercial marine transport, has seen a dramatic shift in the number of unhealthy, “at risk” employees. Marine Atlantic collects biometric data at various intervals during the year to determine changes in risk levels. In 2006, 18 per cent of employees were in the high-risk category, 30 per cent were in the medium-risk category, and 52 per cent were in the low-risk category. By 2011, Marine Atlantic could see a dramatic shift in the health of its workforce: 13 per cent were at high risk, 25 per cent were at medium risk, and 63 per cent were at low risk.\(^1\)

The importance of using baseline data is further illustrated by the experience at TELUS. In 2006, an analysis done by the TELUS EAP provider to highlight areas of health risk enabled TELUS to target areas that would have the best impact for the organization. According to data from the EAP provider, on average it was costing TELUS about $2,000 per employee per year for each risk factor that the employee had. The four main areas of risk identified were heart disease, activity levels, body mass index, and blood pressure. Sixty-one per cent of employees had at least one risk factor. After calculating an ROI that included the costs of health screening and health coaching, the company determined it had achieved a 3.8:1 return on investment.\(^1\)

**BENEFITS COST ANALYSIS**

Benefits costs in Canada are trending upwards. For example, total benefits costs as a percentage of payroll increased from 7.7 per cent in 2009 to 10.4 per cent in 2011.\(^1\) (See Table 2.)

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13 Ibid., 48.
14 See the full case study profile in Hoganson, *Wellness Metrics in Action: A Spotlight on Employers*—Marine Atlantic.
15 See the full case study profile in Hoganson, *Wellness Metrics in Action: A Spotlight on Employers*—TELUS.
Key informants interviewed for this report believe that employers could benefit from working more closely with their benefits providers to gain a broader understanding of their total benefits costs and cost drivers. By analyzing group health plan data, an organization can become more informed about the benefits that are being used most frequently and areas of concern. This can also help pinpoint the key cost drivers of employer benefits.17 Equipped with this knowledge, employers can target health initiatives to improve underlying medical conditions and make informed decisions on containing benefits costs. For example, when one organization found out from its benefits provider that there was a high rate of diabetes in its industry, it designed a health and wellness program that focused on preventing and managing this specific chronic condition. This program included biometric screening, health risk assessments, and health education courses. At CMP Advanced Mechanical Solutions, one impetus for action on employee health and wellness was a significant increase in group insurance premiums. However, by working with its benefit plan insurer, the company was able to slow this annual increase and actually reverse the trend, which led to a significant return on investment.18

<table>
<thead>
<tr>
<th>Table 2</th>
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<tbody>
<tr>
<td>Benefit Costs as a Proportion of Payroll, Canada (per cent)</td>
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<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td>Medical coverage*</td>
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<tr>
<td>Casual absence**</td>
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<tr>
<td>Workers’ compensation</td>
</tr>
<tr>
<td>Short-term disability</td>
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<tr>
<td>Long-term disability</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

*Medical coverage was not tracked separately before 2009.  
**Casual absences were not tracked separately before 2007.  

DRUG COSTS

Prescription drug coverage can be a significant expenditure for employers. The cost of prescription drug plans varies based on many factors such as the size of the organization, the age profile of the workforce, and the drug plan design and funding arrangement. Regardless, many organizations track metrics related to prescription drugs (e.g., total claims paid, total claims paid by drug category, and percentage increase in claims paid by drug category). Whatever tracking is done, employers need to be very cautious about interpreting changes in their drug plan usage and costs over time.

Employers need to be very cautious about interpreting changes in their drug plan usage and costs over time.

Reduced drug costs—though a savings in the short term—are not always beneficial for employers. An increase in drug costs could indicate that employees are being accountable for their health and seeking treatment for health conditions. By taking their medications properly and adhering to their treatment plans, employees are improving their potential health outcomes. For instance, at CMP Advanced Mechanical Solutions, medication costs continue to increase annually. Yet the company’s group insurance plan premiums have fallen consistently since 2007, for a savings of $250,000 per year.19 In other words, although immediate drug costs could be higher for the organization, medication can prevent employees from developing chronic diseases or other problems that are much more costly for a company in the long term.

ABSENTEEISM

Absenteeism refers to an employee’s absence from work due to illness, disability, or personal or family responsibilities.20 Absenteeism includes casual absences

17 Casselman, “5 Steps to Workplace Wellness,” 15.  
18 See the full case study profile in Chénier, Wellness Metrics in Action: A Spotlight on Employers—CMP Advanced Mechanical Solutions.  
19 See the full case study profile in Chénier, Wellness Metrics in Action: A Spotlight on Employers—CMP Advanced Mechanical Solutions.  
as well as short- and long-term disability leaves. (A later section of this chapter explores the short- and long-term disability aspects of absenteeism in more detail.)

**COSTS TO ORGANIZATIONS**

When looking at absenteeism rates, the nature of and reasons for the absence must be considered. For instance, is the absence related to illness or to role overload? Analyzing absence data is important because it alerts an organization if there is a problem and can help the organization understand the cost drivers.

Usually the number of days an employee is absent coincides with the number of health risk factors they exhibit. People with three or more risk factors are likely to have 50 per cent more absences than those without any risk factors.21 This is a disturbing finding, given that approximately 25 per cent of Canadians have three or more metabolic risk factors (e.g., a large waistline, high blood pressure, high blood sugar levels when fasting, an elevated triglyceride level, and a low HDL cholesterol level).22

Absenteeism has increased during the past decade. In 2010, in an average week, 8 per cent of full-time working Canadians had an unscheduled absence for all or part of the week—an increase from 6.3 per cent in 2000.23 Among these full-time workers, 5.7 per cent were absent from work due to their own illness or disability and 2.3 per cent were absent for personal or family reasons.24 During 2010, full-time employees lost an average of 9.1 days for health or personal reasons (7.4 days for illness or disability and 1.7 days for personal or family reasons).25 Overall, this translates into a total of approximately 100 million lost workdays for full-time employees in Canada.26 The number of days of work missed due to illness also tends to increase with an employee’s age.27 (See Chart 1.)

Absences disrupt work schedules and lower productivity. They are costly not only to organizations but also to the Canadian economy.28 In fact, Statistics Canada suggests that absenteeism represents 15 to 20 per cent of all direct and indirect payroll expenses in Canada.29 Several studies have found that costs associated with absence due to illness are, on average, two to three times more than costs for medical or drug claims.30 Aside from the costs, research has shown that absenteeism is positively related to voluntary turnover and can be an early sign of withdrawal from the organization.31 Unfortunately, many employers are unaware of the significant cost of employee absence and do not have a system for tracking unscheduled absences in their organization.32

**FACTORS TO CONSIDER IN MEASURING ABSENTEEISM**

Employers need to have an adequate system in place for tracking absenteeism. Tracking can be done in a number of ways. For instance, absenteeism can be measured by tracking absences in the organization’s human resources information system. Absences can also be tracked by having employees report to an immediate supervisor or manager or by having the employee fill out an absence report form.

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24 Ibid., 4.
25 Ibid.
26 Ibid.
29 Kocakulah and others, “Absenteeism Problems and Costs,” 83.
Casual absences can be very difficult to measure accurately. For example, there may be under-reporting of absence if employees are using time off in lieu of overtime as sick days or if team members are covering for ill co-workers. That said, it is only by tracking casual absences that employers can make sound, informed decisions about how to manage absenteeism moving forward.

The direct costs of absenteeism can be calculated based on the per diem salary for the actual number of workdays lost. For this reason, organizations need to have a comprehensive attendance management system in place. If an organization does not have some form of attendance management system, estimates can be made using work absence rate statistics provided by organizations such as Statistics Canada. However, the reasons for absences in the specific workforce will be lost and insights into absence cost will not be evident.

Employers also need to consider the indirect costs associated with absenteeism, including:

- the direct cost of replacing the absent employee;
- administrative costs (e.g., staff tasked to find a replacement);
- reduction in morale (e.g., increased workload for other employees, who may also need to support and train new staff);
- reduction in productivity (e.g., missed deadlines or delays in projects); and
- reduction in customer satisfaction.

According to a 2010 study by Mercer, the total costs of absenteeism are almost three times higher than the direct costs. Using this estimate, an employer can calculate the total cost of absence even if it knows only the direct costs. To illustrate, Company ABC knows that its direct cost of absenteeism is $150,000 per year. Using the estimated ratio of the total to direct cost of absenteeism (2.9:1), the employer can calculate the total cost of absenteeism to be $435,000 ($150,000 x 2.9). Therefore, for Company ABC, the indirect costs of absenteeism are $285,000 ($435,000 – $150,000).

Employers need to educate employees and managers on the real costs of absenteeism (both direct and indirect) and how it affects the overall bottom line of an organization. Employers should measure the direct and indirect costs of absenteeism at the outset of a health and wellness program as well as at a later point in time to see whether there has been a reduction in costs.

**SHORT- AND LONG-TERM DISABILITY COSTS**

In addition to measuring overall absenteeism, employers often specifically track short- and long-term disability costs. Over the past several years, insurance companies have noticed a steady increase in the percentage of STD and LTD claims. In 2008, an average of 9 per cent of Canadian full-time employees took short-term disability leave and roughly 2.5 per cent took long-term disability leave.

A Towers Watson study published in 2011 found that, in Canada, the most frequent disabling conditions and top two reasons for STD and LTD were mental health issues and musculoskeletal problems. Other research estimated that, in 2005, STD and LTD claims listing mental health issues and stress cost employers approximately $33 billion. That said, since every organization is different, it is important for employers to mine their own data to determine the top claims within their workforce.

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34 Klachefsky, Take Control of Employee Absenteeism, 5.
35 Mercer, Survey on the Total Financial Impact of Employee Absences, 9.
36 Ibid.
37 Ibid.
39 Hughes, Beyond Benefits II, 17, 21.
40 Towers Watson, Pathway to Health and Productivity, 10.
There are a number of metrics that employers can use to track costs related to STD and LTD claims. (See Appendix C.) For instance, employers can look at:

- the claim incidence per 100 employees;
- the duration of claims;
- top new claims by condition per year;
- lost workdays per 100 employees; and
- cost per employee.\(^{42}\)

Reviewing STD and LTD claims annually can help an organization understand what is driving its disability costs. The review can reveal any unhealthy trends within the workforce and show any changes in costs. It can also help employers establish the types of health and wellness programming that are needed to decrease STD and LTD costs.

**WORKERS’ COMPENSATION CLAIMS**

The advantage of having healthy workers goes beyond reducing benefits costs. It also includes reducing workers’ compensation claims. Healthy workers are less likely to be injured and, when they are injured, they recover more quickly than less healthy employees.\(^{43}\)

The opposite situation exists for unhealthy employees, who tend to be more prone to injuries and experience delayed healing because of complications from other health factors.\(^{44}\) To illustrate, the Town of Conception Bay South, Newfoundland and Labrador, implemented a health and wellness program after noticing a significant increase in its Workplace Health, Safety and Compensation Commission claims and premiums. Since its health and wellness program was implemented in 2008, the Town has achieved considerable savings, with annual premiums falling from $170,000 to just under $100,000.\(^{45}\)

There are a number of metrics that employers can use to examine workers’ compensation claims more closely. (See Appendix C.) For instance, employers can look at the:

- cost per claim;
- cost per employee;
- claim duration;
- percentage of litigated claims; and
- cost as a percentage of payroll.\(^{46}\)

A workplace health and wellness program not only facilitates creation of a safe work environment where employees can be their most productive, but it can also reduce workers’ compensation claims.

**EMPLOYEE ASSISTANCE PROGRAMS**

Employee assistance programs are designed to help employees who have personal problems that may be affecting their health and wellness and ultimately their productivity at work. Employers can obtain generalized information from their EAP provider to understand the:

- frequency of calls placed to the EAP provider (i.e., utilization rate);
- top reasons why employees are using the EAP; and
- types of services that are used.

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\(^{43}\) Diamond, “5 Steps Companies Should Take.”

\(^{44}\) Diamond, “5 Steps Companies Should Take.”

\(^{45}\) See the full case study profile in Hoganson, *Wellness Metrics in Action: A Spotlight on Employers—The Town of Conception Bay South.*

\(^{46}\) Public Entity Risk Institute, “Standard Metrics for Risk Management.”
Employers must exercise caution when examining EAP utilization rates. An increase in usage could mean that employees have become comfortable with using the EAP. However, an increase in usage could also signify that employees are increasingly using the program because of a greater level of need. Such increases need to be investigated further to understand whether, for example, they relate to a negative organizational culture (e.g., excessive stress, workload, or a psychologically unhealthy work environment).

PRODUCTIVITY AT WORK

PRESENTEEISM: A SILENT PRODUCTIVITY DESTROYER

Productivity is the foundation of an organization’s ability to generate revenue.47 Productivity losses do not occur only from unscheduled absences and disability; They also arise when employees continue to go to work but are not fully functioning. This phenomenon, known as presenteeism (see box “Definition of Presenteeism”), has a significant impact on an organization’s profits.48 Since presenteeism is not always clearly apparent, it is a silent productivity destroyer.

**Definition of Presenteeism**

Presenteeism exists “when an employee is physically at work but not fully productive due to physical or mental health conditions or due to stress related to job, personal, or financial matters.”1


Presenteeism can result from a number of stressors, including stress in an employee’s personal life (e.g., from financial worries, elder care, or child care), poor health (physical or mental), or work-related stress (e.g., from work overload, lack of training or resources, conflict with co-workers or management, or an unhealthy work environment).49 Presenteeism can also be a result of chronic (or episodic) ailments, such as seasonal allergies, asthma, migraines, arthritis, or gastrointestinal issues.50

“We are presently at the same stage with presenteeism today that we were with health and safety in the workplace during the 1960s.”

—Emmanuelle Gaudette
Manager, Prevention and Health Promotion
Standard Life

THE COST OF PRESENTEEISM

There is a great deal of debate about the cost of presenteeism. However, there is considerable agreement within the scientific community that presenteeism accounts for more aggregate productivity loss than absenteeism and is at least as expensive.51 Presenteeism is even more common when the economy is unstable because people have a constant fear of losing their jobs.52 Therefore, if they are sick or unwell, employees will still go to work even when they are not performing at their optimal level.

Physical and mental health issues that are left untreated have low direct costs to an employer but account for a substantial loss in productivity. Both the quantity of work (e.g., slower work pace) and the quality of work (e.g., more mistakes) are affected. Untreated illnesses can be persistent distractions but undetectable and costly to an organization. One study that examined the relationship between allergy sufferers, presenteeism, and productivity found that employees using antihistamines were more productive than those who were not using them, because allergies can impede concentration.53 The study estimated that, although the organization would be spending $18 a
week per employee on medication, the ROI of covering the cost of the medication to allergy sufferers would be 2:1.54

Different ailments have varying effects on productivity depending on the individual’s job. Organizations can reap substantial productivity gains by investing in wellness initiatives that include management practices and various human resources policies.

In our increasingly knowledge-based economy, productivity, or output per hour, is becoming much more complex and can be very difficult to measure.

### MEASURING PRESENTEEISM

In a production-line environment, productivity and output can easily be measured. However, in our increasingly knowledge-based economy, productivity is becoming much more complex and can be very difficult to measure. Productivity, or output per hour, in the services industry is particularly difficult to measure, yet it makes up more than 70 per cent of Canada’s gross domestic product.55

A number of instruments are available to assist in measuring presenteeism and productivity. (See Table 3.) These instruments focus on three areas:

- assessment of perceived impairment;
- relative productivity, performance, and efficiency; and
- estimation of unproductive time at work.

Although all the instruments listed in Table 3 have been validated in many studies, the Health and Work Performance Questionnaire (HPQ) is probably the one most widely used for measuring presenteeism. This instrument tries to identify how an employee’s performance differs from that person’s usual performance or from that of other employees in similar positions.57 It looks at time lost due to a number of health conditions and focuses on the hours missed due to absenteeism (on sick days) and presenteeism (on workdays). Using a 10-point scale, ranging from “worst performance” to “best performance,” the HPQ asks employees to assess three main aspects of performance, including their job performance relative to workers in similar positions, job

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54 Hemp, “Presenteeism,” 5.
55 Li and Prescott, Measuring Productivity in the Service Sector, 1.
performance in the past year, and overall job performance during a specified period (e.g., the past four weeks). The HPQ contains questions such as:

“Think about the days that you were limited in the amount or kind of work you could do, days you accomplished less than you would like, or days you could not do your work as carefully as usual. How often did you have these days?”

“During the past 4 weeks, how often have you had trouble at work concentrating or doing your best because of your health problems?”

Measuring presenteeism will always be subjective. However, organizations that measure presenteeism are able to get a snapshot of how extensive the problem is in their workforce. Measuring presenteeism also creates a benchmark to compare against over time.

**TURNOVER**

Research has shown that turnover is positively correlated with unhealthy work environments, inability to trust supervisors and senior management, and lack of recognition and praise for a job well done. Stress is another factor, contributing to approximately 40 per cent of turnover costs. The costs associated with employee turnover are significant. Yet fewer than one-quarter (21 per cent) of organizations use turnover statistics to assess workplace health.

According to a study by Towers Watson, organizations with highly effective health and productivity programs had turnover rates that were 40 per cent lower than those of competitors. Specifically, Towers Watson found that organizations with highly effective wellness programs had a total turnover rate of 8 per cent, whereas organizations with less effective wellness programs reported a turnover rate of 10.4 per cent. (See Chart 3.) In fact, one study reported that a large financial organization was able to decrease its average annual turnover by 54 per cent by implementing a wellness program.

The cost of turnover depends on an employee’s position and the skill level, and it has been estimated that it costs up to 150 per cent of the employee’s annual salary to replace that employee. When calculating the cost of turnover, employers should include a number of indirect costs such as the cost of advertising for the position, interviewing, training a new hire, productivity loss as the new employee acclimates to the work, and even loss of employee morale. By retaining employees and lowering turnover rates, employers can have a positive effect on their organization’s bottom line.

A number of organizations have developed tools that can help employers more accurately calculate the cost of turnover by including a wider range of direct and indirect costs.

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60 Ibid., 737.
62 Ibid., 5.
63 Cowan and Wright, Valuing Your Talent, 46.
65 Renaud and others, “Implementation and Outcomes,” 76.
66 Skronski, “Is Your Company Healthy?”
indirect costs. For example, the Government of Alberta has developed a publicly available toolkit with a worksheet to help employers calculate the turnover rate and cost of staff turnover.⁶⁸

**RECRUITMENT**

Health and wellness programs can also have an impact on an employer’s ability to bring new talent into the organization. However, the impacts on recruitment are not only more difficult to quantify (than costs such as drug costs, STD and LTD costs, etc.), but they are also more difficult to attribute directly to the investments in health and wellness programs.

Although many companies are offering competitive salaries, they still have challenges recruiting employees. Why is this? It seems that the employees are placing a greater importance on factors such as health benefits and work-life balance. Organizations that can demonstrate that they value people are more likely to attract top talent and to retain and motivate those workers. Recent research showed that 67 per cent of Canadian workers viewed health and wellness programs as an indicator of a good employer. Forty-eight per cent said that they would prefer to have a health benefit plan rather than an extra $20,000 a year in cash.⁶⁹

Employers can measure their recruitment success by looking at a number of metrics, including:
- new hire rates;
- vacancy rates;
- 90-day voluntary and involuntary turnover rates; and
- first year turnover, resignation, and involuntary turnover rates.

However, as stated above, it is difficult to make a direct causal link between improvements observed in recruitment success and investments in health and wellness programs.

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**EMPLOYEE SATISFACTION AND ENGAGEMENT**

Organizations that are committed to improving, supporting, and sustaining the health and well-being of their employees create positive, engaging work environments.⁷⁰ As a result, employees who are engaged at work tend to be very loyal to their organization, satisfied with their jobs, and devoted to the success of the company. Healthy and engaged employees are also motivated to perform at their highest level. In turn, organizations that have a highly engaged workforce tend to have better financial results than organizations that have low employee engagement levels.⁷¹

**Employees who are engaged at work tend to be very loyal to their organization, satisfied with their jobs, and devoted to the success of the company.**

Employee satisfaction and engagement can be measured through periodic (e.g., annual or biannual) employee surveys. Some of the difficulties in using employee satisfaction or engagement results as a measure of the effectiveness of the organization’s workplace health and wellness program include the:
- inability to attribute any changes in satisfaction and engagement levels directly to the wellness program because of a multitude of confounding factors;
- inability to monetize the value of increased levels of satisfaction and engagement; and
- inherent challenges in using employee self-reported data.

These surveys are better viewed as providing useful indicators of workplace climate than as generating outcomes to be included in an ROI calculation.

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⁶⁸ Government of Alberta, “How Much Is Staff Turnover Taking Out of My Back Pocket?”


CORPORATE REPUTATION

Increasingly, one of the top human resources challenges is recruiting and retaining top talent, especially in light of an aging workforce from which baby boomers are beginning to retire. Therefore, organizations need to set their business apart from those of their competitors and focus on issues that are important to younger generations.

Being recognized as an outstanding employer can enhance an employer’s brand and corporate reputation. There are numerous awards organizations can strive for including Canada’s Top 100 Employers Award—one of the most popular awards. Becoming an employer of choice by creating a healthy workplace will help organizations attain the profile they need to attract, recruit, and retain excellent workers. In fact, three-quarters of Canada’s Top 100 Employers agree that one of the most important reasons for implementing a health and wellness program is to improve their corporate reputation. These employers view their wellness programs as a key component of their business strategy.

Three-quarters of Canada’s Top 100 Employers agree that one of the most important reasons for implementing a wellness program is to improve their corporate reputation.

Other awards that can help improve an organization’s reputation include the:
- Canada Awards for Excellence—annual awards that are given to private, public, and not-for-profit organizations that have demonstrated exceptional contributions in the field of quality and providing a healthy workplace;
- National Psychologically Healthy Workplace Award—a biannual award that acknowledges employers that have made a commitment to workplace well-being.

These employers must also have made a serious effort to create a psychologically healthy work environment for their employees; Great Place to Work® listing—an annual listing of organizations based mainly on how their employees responded to the Great Place to Work® survey, which measures employee satisfaction with the organization as well as overall organizational culture; and Healthy Enterprise certification—a standard created by the Bureau de normalisation du Québec in partnership with the Healthy Enterprises Group. The standard includes two levels of certification and focuses on identifying specific measures and interventions that organizations can apply in the workplace in order to maintain and sustain a healthy work environment.

ORGANIZATIONAL CULTURE

Organizational culture encompasses the attitudes, values, and beliefs that are present in the workplace and that affect the health and well-being (mental and physical) of employees. Culture is deeply embedded in the structure of an organization. For example, respect, appreciation, commitment to the organization, and employee engagement are all a part of the organization’s culture. Even volunteerism is now considered an important part of a health and wellness culture and tends to be valued among employees.

There are many reasons why an organization should work hard to improve or maintain a healthy organizational culture. Not only do organizations with healthy cultures excel but, when they actively support employees, their disability and illness costs tend to be lower, they have higher employee satisfaction rates, and productivity increases.

73 Medisys Health Group, “Wellness in the Workplace,” 5.
74 The Health Work & Wellness Group, Workplace Health Awards.
75 American Psychological Association Practice Directorate, The Awards.
76 The Health Work & Wellness Group, Workplace Health Awards.
77 Bureau de normalisation du Québec, The Healthy Enterprise Standard.
There is no right way to assess organizational culture. However, there are tools that can assist in this process. Employee surveys can provide insight into the current state of an organization’s health. Surveys can also pinpoint any weak areas that may need to be strengthened because they are critical for high performance. Standardized organizational culture surveys (e.g., the Denison Organizational Culture Survey\textsuperscript{80}) can be administered, or customized questions can be inserted into existing workplace health surveys. For example, respondents could be asked to agree or disagree with the following statements:

- my workload is reasonable;
- I can complete my assigned workload during regular working hours;
- I have a say in decisions that impact my work; and
- I receive adequate recognition from my supervisor when I do a job well.\textsuperscript{81}

Employees who feel supported physically and psychologically at work provide better service, which leads to higher customer satisfaction and revenue.

Organizations that survey employees create a benchmark culture score for the company and can re-administer the survey annually to monitor and manage progress.\textsuperscript{82}

\textbf{CUSTOMER SATISFACTION}

Some employers have linked their health and wellness strategy to improved customer satisfaction. They believe that employees who feel supported physically and psychologically at work are more likely to provide better service. When an organization achieves customer satisfaction, it usually leads to company loyalty and an increase in profits. For instance, Sears found that a “5 point improvement in employee attitudes will drive a 1.3 point improvement in customer satisfaction which, in turn will drive a 0.5 per cent improvement in revenue growth.”\textsuperscript{83} Essentially, the health and happiness of employees affects customer satisfaction and, ultimately, revenues.

In order to measure these impacts, companies need to track not only changes in employee engagement (using some of the techniques described earlier) but also changes in customer satisfaction. Customer satisfaction can be gauged through general customer satisfaction surveys; transactional customer satisfaction surveys at point of sale, completion of project, or delivery of product or service; repeat business/customer retention data; observational measures; or other techniques.

By ensuring happy, healthy employees, an employer is better positioning itself for continued customer satisfaction, company loyalty, and an increase in business growth.

\textsuperscript{80} Denison Consulting, \textit{Denison Culture Model}.
\textsuperscript{81} The Health Communication Unit, “Organizational Culture,” 19.
\textsuperscript{82} Ibid., 19.
\textsuperscript{83} Stewart, \textit{Beyond Benefits}, 4.
CHAPTER 5

Measurement Framework for Workplace Wellness Programs

Canadian employers are at different stages of development with regard to their wellness programs. Some employers are just starting their wellness initiatives—taking the fundamental steps—while others have had wellness programs for years and have more sophisticated strategies in place. These employers have integrated their wellness strategy into their business strategy.

The sophistication of an employer’s current health and wellness program can have a significant impact on their return on investment as well as the measurement techniques they are able to use. Wellness initiatives that are more comprehensive or integrated will provide a better ROI than more basic programs. The measures used to calculate the impact of wellness programs will therefore need to be adapted depending on the sophistication of the wellness initiative. This chapter examines how employers can establish where to start with respect to metrics and measurement, depending on their size, priorities, and resources.

Based on our review of the literature as well as interviews conducted with employers and other stakeholders, we have developed a measurement framework to outline how organizations, at different stages in establishing a comprehensive program, can evaluate and measure the impact of their wellness initiatives. (See Exhibit 4.) Each level (fundamental, intermediate, and sophisticated) builds upon the previous one to create a comprehensive evaluation process.

Chapter Summary

- Employers are at different stages of development with regard to their workplace wellness programs.
- The sophistication of an employer’s wellness programs has a significant impact on the organization’s ability to influence outcomes and the measurement techniques it will be able to implement.
- As employers evolve their wellness programming—moving toward more comprehensive, integrated programs—they can expect to see a better return on investment.

“Measurement is the first step that leads to control and eventually to improvement.”

—H. James Harrington
Author, Path to Business Excellence and Past President, American Society for Quality and International Academy for Quality

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### STEPS/PROGRAMS

In order to use the framework, an employer must first identify where it is situated along the wellness continuum. Is it at the fundamental stage of developing programs to support and promote the health and wellness of employees? Does it have a comprehensive and integrated wellness program? Or is it somewhere between the two? Depending on the workplace, any of these approaches may be appropriate. However, the impact of the wellness program will be different for each approach. Some examples of the types of interventions that might be undertaken under each approach are described below. These lists are not meant to be exhaustive.

### FUNDAMENTAL STEPS

Fundamental programs used to promote and sustain the health of employees include:

- annual, one-day events that promote healthy lifestyle change (e.g., wellness fairs);
- the provision of easy-to-access health information and resources (e.g., a health information library, lunch and learns);
- access to conference rooms for after-hours exercise classes;
- health club discounts; and
- creation of a smoke-free and violence-free work environment.¹

### INTERMEDIATE STEPS

Intermediate workplace employee wellness programs include all the initiatives covered under fundamental programming. However, they are more structured and also typically include:

- the creation of an employee wellness committee;
- regular HRAs every 12 to 36 months with follow-up;
- targeted risk interventions based on health-related cost drivers and HRA results;
- the provision of subsidized gym memberships, access to walking trails, etc.;
- healthy selections in vending machines, in cafeterias, and at company events;
- information on benefits, job safety, and health promotion and disease prevention;

### Measurement Framework

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<th>Outcomes/impacts</th>
<th>Metrics/measures</th>
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¹ Partnership for Prevention, Leading by Example, 26.

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biometric screenings;
- incentive-based programs to sustain healthy lifestyle change (e.g., increased physical activity);
- analysis of management or organizational practices;
- identification of leading health risks and illnesses within the workforce (by prevalence and cost); and
- identification of costs related to short-term disability, long-term disability, workers’ compensation insurance, and benefits.2

The last two steps can be undertaken with the assistance of the employer’s health-related services providers.

**SOPHISTICATED STEPS**

Employers that have more sophisticated employee health and wellness programs in place link the desired outcomes of their initiatives to their organization’s strategies and goals. They also measure the impact of their programs to ensure that they meet these outcomes. Wellness initiatives offered by these employers include those discussed under fundamental and intermediate programming but also incorporate, for example:
- a 24-hour nurse line;
- an on-site wellness manager or wellness department;
- an in-house health centre, occupational doctor, or occupational nurse;
- interventions targeting unhealthy management or organizational practices;
- health coaching;
- annual meetings with third-party vendors and services providers to identify and manage health-related cost drivers within the organization; and
- a cross-functional team for strategic health promotion.3

**OUTCOMES/IMPACTS**

An employer offering more fundamental wellness programming can expect very different results from its initiatives than employers with sophisticated wellness programs. Although their common goal is to promote the health of employees, the specific outcomes will vary.

**FUNDAMENTAL OUTCOMES**

Employers that are just starting their wellness initiatives—taking the fundamental steps—are aiming to increase their employees’ awareness of their own health. The goal of their wellness initiatives is primarily education. These employers can expect that their employees will:
- become more aware of their own health issues and visit their own health care professional for assistance;
- participate in greater numbers in organizational wellness initiatives; and
- be more satisfied with the wellness offerings.

**INTERMEDIATE OUTCOMES**

Employers offering intermediate wellness programming should also keep track of employee participation in and satisfaction with the initiatives offered. This enables them to modify programs based on employee interest in the initiatives. They can, however, also:
- observe changes in the prevalence and cost of leading medical claims;
- detect changes in costs related to short- and long-term disability, workers’ compensation insurance, prescription drugs, and extended health benefits; and
- through regular HRAs, measure shifts in the health habits or health risk status of their workforce.

**SOPHISTICATED OUTCOMES**

As well as measuring the fundamental and intermediate outcomes discussed previously, employers that have integrated their wellness strategy into their business strategy can also measure the impact of their programs on specific organizational drivers. They can:
- observe changes in human resources metrics that are linked to their wellness programs (e.g., absenteeism, turnover, and employee engagement); and
- use presenteeism questionnaires to evaluate lack of productivity due to illness or disability.

**METRICS/MEASURES**

Regardless of whether they offer fundamental, intermediate, or sophisticated wellness programs, employers should keep track of different key indicators when measuring the impact of their programming.

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3 Ibid.
FUNDAMENTAL METRICS
Since employers taking fundamental steps in wellness programs have goals related to education and awareness, employee participation in the initiatives is essential. Therefore, these employers can:

- measure employee participation rates in every wellness initiative or event that is offered;
- use evaluation forms to measure participants’ satisfaction with each wellness initiative; and
- conduct periodic surveys regarding employee health promotion needs and interests.

If employee participation or satisfaction in the wellness initiatives decreases with time, employers can then modify their programs to better meet employees’ health-related needs and interests. Annually, the wellness leader can also report back to senior management on whether more employees are becoming aware of how their behaviour affects their health (both positively and negatively).

INTERMEDIATE METRICS
Employers taking intermediate steps in wellness have the primary goal of shifting the health risk status of their workforce—from one where employees have several health risk factors to one where employees have low or no risk factors. At this stage, employers identify the key indicators that will help them determine the impact of their programs on the predominant health risk factors in their employees’ health profile and track these indicators over time. These employers can:

- offer employees ongoing feedback on their own health status (through individualized reports given after regular HRAs);
- at regular intervals, measure the percentage of employees at high, medium, or low health risk and observe shifts in the health profile of employees; and
- track changes in specific health-related costs (e.g., short- and long-term disability costs, workers’ compensation insurance costs, drug costs, and extended health premiums).

Wellness leaders can report annually to senior management on how the wellness program is affecting the leading health risk factors and illnesses within the workforce and changing certain health-related cost drivers.

SOPHISTICATED METRICS
Employers that have integrated sophisticated wellness programs into their business strategy have also incurred more significant costs. Therefore, they must determine whether the initiatives are having a significant positive financial impact on their organizations. In addition to compiling the metrics described for fundamental and intermediate programs, leaders of sophisticated wellness programs can:

- evaluate health-related changes in human resources data (e.g., absenteeism and turnover);
- measure presenteeism through specialized questionnaires and link it to specific health conditions;
- evaluate the ROI of selected interventions or of their overall program; and
- benchmark their health data against those of other organizations in their industry.

Many employers find it particularly difficult to calculate the ROI of their wellness initiatives, even when they can measure and track the necessary metrics. An example of an ROI calculation is shown in Appendix D to assist employers in evaluating the financial impact of their programs.

In the measurement framework, each successive approach to wellness (from fundamental to sophisticated) builds on the previous one. As employers progress along the continuum of wellness programming, more sophisticated measures can be used to demonstrate the positive impacts and outcomes achieved by the organization’s investment.
Government’s Role in Supporting Healthy Employees

Chapter Summary

- Governments have a role to play in supporting employer-sponsored wellness programs.
- Many factors influence the level of government involvement, such as the desire to reduce or delay public health care costs.
- Most employers believe financial incentives and education are the best methods for governments to use in supporting organizational wellness programs.

“The choices each country makes with respect to health policy reflect the extent to which it is a just and caring society.”

—Chandrakant P. Shah
Professor Emeritus, Dalla Lana School of Public Health, University of Toronto

Determinants of Government Involvement

Many factors shape government involvement in supporting employer-sponsored health and wellness programs.

Awareness of the Potential Benefits

Governments must recognize that health and wellness programs can be beneficial from a societal as well as a business perspective. In order for governments to support workplace wellness programs, they need to see evidence that the financial returns of these programs are greater than the returns of investing in other policy priorities. Supporting evidence for these benefits may come from internal research or research from independent bodies, organizations, and educational institutions.

The greatest incentive for government support of workplace wellness programs is that Canada’s health care system is publicly funded.

Ability to Take a Long-Term View

A barrier to government investment in workplace wellness programs is that many of the benefits are long term, leading to lower health care costs for future, rather than incumbent, governments. However, it is the responsibility of governments to take a longer-term view. The societal benefits, such as avoided mortality and reduced levels of disability, are significant. Public investments in health...
and wellness are consistent with government’s role in chronic disease prevention—which aims to help achieve sustainability in Canada’s health care system.

**FINANCIAL RESOURCES**
Governments must have the financial resources to support workplace wellness programs. Given projections of future economic growth, as well as the fiscal deficits of the federal and many provincial governments, this will be challenging going forward.

**PUBLIC FUNDING OF THE HEALTH CARE SYSTEM**
The greatest incentive for government support of workplace wellness programs is that Canada’s health care system is publicly funded. Canadian governments should support employer-sponsored wellness programs because they ultimately bear the high health costs of a working population that is not healthy.

**AGING POPULATION**
Wellness programs have different outcomes for different age groups. For older workers, wellness programs can reduce or delay the impacts of chronic diseases on workplace productivity and on public health care costs. Given our aging population, government has a strong incentive to invest in wellness programs and is more likely to see some short-term results among this population.

**HOW CAN GOVERNMENTS SUPPORT WORKPLACE WELLNESS?**
Governments can support employers’ efforts in workplace wellness promotion in a variety of ways, including by offering resources, providing financial incentives such as tax credits, and optimizing the regulatory framework. Finally, governments, as employers of a large number of Canadians, can lead by example by investing in public sector wellness programs.

**RESOURCES AND SUPPORT**
Numerous government organizations are suited to becoming involved in wellness programs, and many already offer resources that can be of assistance to employers. Examples of departments and agencies that may be suited to assist include:

- **Provincial/territorial health care ministries**, which set the overarching strategic plans for health care, as well as providing funding for hospital, primary care, and rehabilitation services.
- **Various federal departments and agencies**, such as the Public Health Agency of Canada and the Canadian Centre for Occupational Health and Safety, which are involved in promoting healthy workplaces.
- **Provincial/territorial public health services**, which may exist outside the health care ministries and which can ensure funding is directed toward health protection and promotion initiatives, such as sports programs.
- **Provincial/territorial workers’ compensation boards**, which require most employers, by law, to pay employee insurance premiums. These boards are actively engaged in reducing the number of workplace injuries in their provinces.
- **Provincial/territorial occupational health and safety departments**, which are often found within the ministries of labour and which focus on preventing work-related illness and injury.

All of the above government departments and agencies have a role to play in promoting workplace wellness and can offer useful information and resources for employers.

From our interviews, we noted that many employers believe governments should take more active roles as wellness program educators by:

- providing employers with tools for enhancing employee health. For example, New Brunswick’s Wellness, Culture and Sport Secretariat collaborated with the Heart and Stroke Foundation of New Brunswick and the College of Psychologists of New Brunswick to create a toolkit to help corporations develop or improve their workplace wellness programs;
- profiling the best practices of other government and private sector employers. On its website, the Public Health Agency of Canada profiles other organizations and offers recommendations on how to support healthy employees.

1 This toolkit can be found at [www.heartandstroke.nb.ca](http://www.heartandstroke.nb.ca/).
Municipal governments can also support employers’ workplace wellness programs by offering access to city-run facilities. For example, the City of Edmonton has a program designed to encourage private sector employees to use city-owned facilities. Companies can sign up to this program for free, and their employees receive discounts on their use of City of Edmonton sports and recreation facilities, such as swimming pools, tennis courts, and gymnasiums.3

**FINANCIAL INCENTIVES FOR EMPLOYERS**
Governments have a number of ways to encourage employers to create comprehensive workplace health and wellness programs. These include tax credits, reductions in federal employment insurance premiums, and reduced provincial health taxes, such as the Ontario Health Tax. Although these options would require governments to forgo current revenues, the employer investments in workplace wellness programs would help reduce or delay future health care costs for governments—something employers believe must be part of governments’ health agendas. Alternatively, disincentives for employers could be applied where employers either pay a levy for failing to offer workplace wellness programs or have to forfeit tax credits. Although not impossible, this option would be politically difficult to implement.

The majority of employers interviewed feel that governments should provide incentives to encourage companies to offer wellness programs. This suggests that they believe the correct incentives are currently lacking. These rewards could include tax breaks. Implementing such measures would require employers to have well-defined wellness programs. The proposed measurement framework in Chapter 5 offers insights in this regard.

**FINANCIAL INCENTIVES FOR EMPLOYEES**
Governments could also create incentives to encourage employee participation in workplace wellness programs. For example, governments could reduce personal income taxes for people who achieve selected health improvement targets or participate in workplace programs. Managing this type of system would be challenging and costly. However, tax credits are currently available for families that enroll children in physical activities, and a similar system could be used to encourage employee participation in workplace wellness initiatives.

Governments could also use financial disincentives to encourage employees to be engaged. For example, the City of Chicago is considering raising its health insurance premiums by $50 for each month that a public sector employee does not participate in a wellness program.4

**WELLNESS PROGRAM STANDARDS**
Currently, there are no standardized provincial or territorial workplace wellness program requirements. Through regulations, governments could mandate a minimum standard for wellness programs that all employers would have to adhere to. However, regulations would be costly for governments to implement and enforce. A standard could also erode companies’ competitive advantage by transferring certain employee health costs onto employers.

**Governments can support employers’ efforts to advance workplace wellness by investing in wellness programs for their own employees.**

Such an option does not have broad-based support among private sector employers. However, in the event that governments introduced tax incentives for employers based on their wellness offerings, some type of regulations would be required in order to determine which employers were eligible for incentives.

The Bureau de normalisation du Québec has already created a voluntary wellness standard for employers and has demonstrated the feasibility of implementing the standard in incremental steps. The goal of the standard is to improve workplace health and recognize companies’ efforts. Areas of focus include improving employee habits, work-life balance, the physical working environment, and management practices.5

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3 City of Edmonton, *Corporate Wellness Program.*
4 Spielman, “City to Workers: Join Wellness Program or Pay $50 a Month More.”
5 Bureau de normalisation du Québec, *The Healthy Enterprise Standard.*
LEADING BY EXAMPLE

Governments can lead by example by investing in wellness programs for their own employees. For example, New Brunswick’s Wellness, Culture and Sport Secretariat has teamed up with Creative Wellness Solutions, a private organization, to create a comprehensive wellness program for government employees. The Secretariat is also leveraging the expertise of the Health Management Solutions team at Medavie Blue Cross to help it evaluate the outcomes of its wellness program through integrated data analyses. These types of programs enable governments to generate their own positive return on investment and help set a standard for private sector employers to emulate.

Many factors shape government involvement in supporting and promoting wellness programs. Government involvement in workplace wellness programs could range from providing employers with information and resources to incentivizing employers to establish or improve their wellness programs.

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6 Stonebridge, Workforce Wellness: A Partnership in Action in New Brunswick, 2.
Wellness programs are now commonplace within Canadian workplaces. Most employers readily recognize the positive return they can generate from promoting better health for their employees, who are often their most valuable asset.

In order to generate the greatest return, employers should focus on ensuring that wellness programs target the most prevalent health risks in their workplaces. The programs should also be integrated with the organizational culture and other corporate policies, programs, and benefits. Employers must also design wellness programs in a comprehensive way by establishing a baseline before the program is implemented and setting aside time and resources to evaluate the success of the program itself.

Evaluation is a critical component since it allows practitioners to gather evidence on the effectiveness of the wellness program. This information is used to support funding allocations and decisions about the types of future programming.

Most organizations are currently more focused on measuring the outcomes of their investments in health and wellness than on calculating the return on investment. For example, employers may track savings generated as more sophisticated health and wellness programs are established, more attention is likely to be placed on evaluating outcomes and even measuring ROI.

Evaluation is a critical component since it allows practitioners to gather evidence on the effectiveness of the wellness program. This information is used to support funding allocations and decisions about the types of future programming.
a result of reduced benefits costs, absenteeism, short- and long-term disability costs, and workers’ compensation premiums. In addition to direct cost savings, wellness programs often result in less tangible impacts that also indirectly help improve the organization’s bottom line. These indirect impacts include decreases in turnover, easier recruitment, and greater employee satisfaction and engagement. These impacts are less straightforward to quantify in financial terms.

As employers continue to develop more sophisticated health and wellness programs, it is likely that more attention will be placed on evaluating outcomes and even measuring ROI. Although employers may lack expertise in this area, there are a variety of services providers such as insurers, EAP providers, health and benefits consultants, and wellness providers that are ready, willing, and able to assist.
Lists of Interviewees

**EMPLOYERS INTERVIEWED**

**Keith Arns**  
Chief Administrative Officer  
Town of Conception Bay South

**Réal Cassista**  
Director, Group Insurance and Health Management, and Senior Vice-President, People and Culture  
Desjardins Group

**Janet Crowe**  
Director, Wellness and Life Work Solutions  
TELUS Corporation

**Louise Des Trois Maisons**  
Team Leader, Health  
Société de l'assurance automobile du Québec

**Stephanie Enright**  
Manager, Human Resources  
Lakeside Process Controls

**Rhona Green**  
Vice-President, Human Resources  
Marine Atlantic

**Greg Houston**  
President  
Lakeside Process Controls

**Michel Labrecque**  
Vice-President, Human Resources  
CMP Advanced Mechanical Solutions

**Cathy Lockhart**  
Manager, Workplace Health and Safety  
Nova Scotia Liquor Corporation

**Marisa MacDonald**  
Talent Management Officer, Human Resources  
Marine Atlantic

**Noel MacKay**  
Group Practice Leader  
The Williamson Group

**Denise Stirling**  
Occupational Health and Safety Coordinator  
Town of Conception Bay South

**Kristen Winter**  
Manager, Human Resources and Organizational Wellness  
Toronto East General Hospital
KEY INFORMANTS INTERVIEWED

Benjamin Amick
Scientific Director
Institute for Work & Health

Marie-Maxime Bastien
Director
ACTI-MENU

Jim Beaudry
National General Manager, Health and Safety, and Wellness Coordinator
Canadian Auto Workers

Diane Champagne
Principal
Mercer

Emmanuelle Gaudette
Manager, Prevention and Health Promotion
Standard Life

Marie-Claude Pelletier
President and Chief Executive Officer
The Healthy Enterprises Group

Estelle Morrison
Director, Health Management
Ceridian Canada

Danny Peak
Senior National Manager, Patient Access and Value, Private Markets
Sanofi Canada

Judith Plotkin
Vice-President, Strategic Growth, Human Solutions
Homewood Human Solutions

Theresa Rose
Director, Group Product Management
Medavie Blue Cross

Leah Soroka
Director, S&T Foresight and Science Promotion Division, Science Policy Directorate
Health Canada

Mike Sullivan
President
Cubic Health

Luc Vilandré
Vice-President, Health Benefits Management
TELUS Health Solutions
APPENDIX B

Metrics Checklist for Employers

DEMOGRAPHIC INFORMATION
- Number of plan members, spouses, and dependents
- Age distribution

GROUP HEALTH
- Number of claimants
- Total claims paid (no. of claims)
- Total claims (no. of claims) paid by benefit category
- Amount paid ($)
- Amount paid ($) by benefit category
- Percentage increase in claims paid by benefit category (no. of claims and $)
- Total premiums

PRESCRIPTION DRUGS
- Number of claimants
- Total claims paid (no. of claims)
- Total claims (no. of claims) paid by drug category
- Amount paid ($)
- Amount paid ($) by drug category
- Percentage increase in claims paid by drug category (no. of claims and $)
- Average age of claimants
- Age distribution of claimants (no. of claims and $)
- Claims distribution (plan members, spouses, dependents)

SHORT-TERM DISABILITY
- Claim incidence per 100 employees
- Claim duration
- Top new claims by condition per year (no. of claims and $)
- Lost workdays per 100 employees
- Cost per employee
- Cost per diagnosis (amount paid per year per diagnosis)

LONG-TERM DISABILITY
- Claim incidence per 100 insured employees
- Claim duration
- Top new claims by condition per year (no. of claims and $)
- Cost per diagnosis (amount paid per year per diagnosis)

CASUAL ABSENCES
- Lost workdays per employee
- Cost as percentage of payroll
- Incidence of absence
- Inactivity rate
WORKERS’ COMPENSATION

- Number of accidents by category (fatal, lost time accidents, non-lost time accidents)
- Number of accidents by age
- Number of accidents by tenure (new workers vs. others)
- Number of fatalities by category
- Number of accidents by type of hazard (musculo-skeletal disorders, falls, contact with machinery, motor vehicle incidents)
- Accident frequency rate (overall, lost time, non-lost time) per 100 employees
- Number of lost workdays (in incident or award year)
- Total premiums
- Cost per claim
- Total benefits costs (in incident or award year)
- Benefits cost by category
- Cost per employee
- Cost as percentage of payroll
- Percentage of open claims
- Reporting lag time
- Percentage of claims by body part
- Claim duration
- Percentage of litigated claims

HEALTH RISK ASSESSMENTS

- HRA participation per 100 employees
- Screening participation per 100 employees
- Health status of employees (percentage of employees in low, moderate, and high-risk levels)
- Top risk factors
- Top areas for readiness to change
- Change in health/lifestyle habits

SMOKING

- Number of smokers
- Percentage of employees who smoke
- Percentage of smokers who complete smoking cessation program
- Rate of smoking recidivism

TURNOVER

- Turnover rate
- Turnover costs

WORKPLACE ENVIRONMENT

- Number of grievances
- Employee engagement/satisfaction score

OTHER

- Retention
- Participation rates in wellness initiatives
### Sample Calculations

#### Table 1

<table>
<thead>
<tr>
<th>Metric</th>
<th>Ratio</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claim incidence per 100 employees</td>
<td>total number of new STD claims average number of STD-covered employees × 100</td>
<td>This metric calculates the number of new claims incurred per 100 covered employees during a defined period of time.</td>
</tr>
<tr>
<td>Claim duration</td>
<td>total number of calendar days (duration) associated with closed STD claims total number of closed STD claims</td>
<td>This metric calculates the average number of days lost from work (due to closed STD claims) per closed STD claim. The lost time includes the waiting period, from the first day that an individual becomes disabled for work (due to an STD-covered illness or injury) through the last date of the claim.</td>
</tr>
<tr>
<td>Lost workdays per 100 employees</td>
<td>number of lost workdays (STD) average number of STD-covered employees × 100</td>
<td>This metric calculates the number of workdays lost due to STD, excluding the waiting period, per 100 covered employees for a defined period of time.</td>
</tr>
<tr>
<td>Cost per employee</td>
<td>total benefits paid average number of STD-covered employees</td>
<td>This metric calculates the cost of STD per covered employee for a defined period of time.</td>
</tr>
</tbody>
</table>

Source: Adapted from National Business Group on Health, “Employer Measures of Productivity, Absence and Quality.”
### Table 2
Long-Term Disability (LTD)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Ratio</th>
<th>Explanation</th>
</tr>
</thead>
</table>
| Claim incidence per 100 employees | \[
\frac{\text{total number of new LTD claims}}{\text{average number of LTD-covered employees}} \times 100
\] | This metric calculates the number of new claims incurred per 100 covered employees incurred during a defined period of time. |

Source: Adapted from National Business Group on Health, “Employer Measures of Productivity, Absence and Quality.”

### Table 3
Casual Absences

<table>
<thead>
<tr>
<th>Metric</th>
<th>Ratio</th>
<th>Explanation</th>
</tr>
</thead>
</table>
| Lost workdays per employee | \[
\frac{\text{paid sick leave days + unpaid sick leave days}}{\text{average number of active FTE employees}}
\] | This metric calculates the overall amount of time lost due to casual absences (defined as sick leave days, either paid or unpaid) per active full-time equivalent (FTE) employee for a defined period of time. |
| Incidence of absence    | \[
\frac{\text{number of absent employees}}{\text{average number of active employees}}
\] | This metric calculates the percentage of active employees reporting some absence during a defined period of time. In calculating incidence, the length of work absence (hour, day or full week) is irrelevant. |
| Inactivity rate         | \[
\frac{\text{total time lost (hrs.)}}{\text{total work time expected (hrs.)}}
\] | This metric shows hours lost as a proportion of the usual hours of all employees during a defined period of time. It takes into account both the incidence and length of absence. |

<table>
<thead>
<tr>
<th>Metric</th>
<th>Ratio</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost per claim</td>
<td>total claims cost</td>
<td>This metric calculates the average cost of all compensable WC claims reported during a defined period of time.</td>
</tr>
<tr>
<td></td>
<td>total number of reported claims</td>
<td></td>
</tr>
<tr>
<td>Cost per employee</td>
<td>total claims cost</td>
<td></td>
</tr>
<tr>
<td></td>
<td>average number of WC-covered employees</td>
<td></td>
</tr>
<tr>
<td>Accident frequency rate</td>
<td>total number of new WC claims</td>
<td>This metric calculates the number of new WC claims reported per 100 covered employees under WC during a defined period of time.</td>
</tr>
<tr>
<td>per 100 employees</td>
<td>average number of WC-covered employees</td>
<td></td>
</tr>
<tr>
<td>Percentage of open claims</td>
<td>total number of open claims</td>
<td>This metric calculates the percentage of claims marked as open and active during a defined period of time.</td>
</tr>
<tr>
<td></td>
<td>total number of reported WC claims</td>
<td></td>
</tr>
<tr>
<td>Reporting lag time</td>
<td>total number of reporting days</td>
<td>This metric calculates the average number of days that elapsed between the date of injury and the date the injury was reported (for each claim) during a defined period of time.</td>
</tr>
<tr>
<td></td>
<td>total number of reported WC claims</td>
<td></td>
</tr>
<tr>
<td>Percentage of claims by body</td>
<td>claims cost by specific body part</td>
<td>This metric calculates the percentage of claim costs incurred for a specific type of injury (e.g., head, arm, leg) during a defined period of time.</td>
</tr>
<tr>
<td>part</td>
<td>total cost of all WC claims</td>
<td></td>
</tr>
<tr>
<td></td>
<td>× 100</td>
<td></td>
</tr>
<tr>
<td>Claim duration</td>
<td>total number of days open</td>
<td>This metric calculates the average number of days that all claims reported during a defined period of time were open (from the date of injury to final closure).</td>
</tr>
<tr>
<td></td>
<td>total number of reported WC claims</td>
<td></td>
</tr>
<tr>
<td>Percentage of litigated</td>
<td>total number of claims in litigation</td>
<td>This metric calculates the percentage of WC claims reported during a defined period of time that were marked as assigned to legal counsel.</td>
</tr>
<tr>
<td>claims</td>
<td>total number of reported WC claims</td>
<td></td>
</tr>
<tr>
<td></td>
<td>× 100</td>
<td></td>
</tr>
<tr>
<td>Cost as percentage of payroll</td>
<td>total claims cost</td>
<td>This metric calculates the incurred value of WC claims (medical, indemnity, and expenses) during a defined period of time as a percentage of total payroll during that period of time.</td>
</tr>
<tr>
<td></td>
<td>total payroll</td>
<td></td>
</tr>
<tr>
<td></td>
<td>× 100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from the Public Entity Risk Institute, “Standard Metrics for Risk Management.”
### Table 5
#### Employee Assistance Program (EAP)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Ratio</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>New cases per 100 employees</td>
<td>total number of new EAP cases / average number of covered employees</td>
<td>This metric calculates the number of new cases per 100 covered employees during a defined period of time.</td>
</tr>
<tr>
<td>Open cases per 100 employees</td>
<td>total number of open EAP cases / average number of covered employees</td>
<td>This metric calculates the total number of open cases per 100 covered employees during a defined period of time.</td>
</tr>
<tr>
<td>Program cost per employee</td>
<td>EAP costs / average number of covered employees</td>
<td>This metric calculates the cost of EAP coverage per covered employee for a defined period of time.</td>
</tr>
</tbody>
</table>

Source: Adapted from National Business Group on Health, “Employer Measures of Productivity, Absence and Quality.”

### Table 6
#### Health Risk Assessments (HRA)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Ratio</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRA participation per 100 employees</td>
<td>number of employees participating in HRA / average number of covered employees</td>
<td>This metric calculates the number of employees taking part in an HRA per 100 covered employees during a defined period of time.</td>
</tr>
<tr>
<td>Screening participation per 100 employees</td>
<td>number of employees participating in screening / average number of covered employees</td>
<td>This metric calculates the number of employees who undergo screening per 100 covered employees during a defined period of time.</td>
</tr>
</tbody>
</table>

Source: Adapted from National Business Group on Health, “Employer Measures of Productivity, Absence and Quality.”
### Table 7
Turnover

<table>
<thead>
<tr>
<th>Metric</th>
<th>Ratio</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover rate</td>
<td>number of employees exiting the organization / average number of employees × 100</td>
<td>This metric calculates the ratio of the number of workers that had to be replaced in a defined period of time to the average number of workers during the same period of time.</td>
</tr>
<tr>
<td>Turnover costs</td>
<td>total costs of separation + recruiting, selection, and hiring costs + orientation and training costs</td>
<td>This metric calculates the tangible cost associated with replacing an individual employee.</td>
</tr>
</tbody>
</table>

Sources: Adapted from *Where Great Workplaces Start, 20 Common HR Metrics & Their Formulas*; Government Alberta, “How Much Is Staff Turnover Taking Out of My Back Pocket?”
Company XYZ is a fast-paced, outcomes-oriented telecommunications company with 600 employees. Four years ago, in response to a significant rise in casual absence due to health issues among its employee population, Company XYZ implemented a workplace wellness program. The goals of the wellness program are to:

1. Provide a health risk assessment and biometric screening clinic every 18 months to increase employees’ responsibility for their own health and identify employees who would benefit from a health coaching program.
2. Increase participation in the HRA and biometric screening clinic each time these assessments are offered by providing incentives and implementing a targeted communication strategy.
3. Reduce the overall number of health risk factors in the workforce.
4. Reduce casual absences due to health-related issues.

A preliminary biometric screening clinic and HRA, conducted at the outset of the program, reveal several risk factors in the workforce. Using this baseline analysis, the wellness leader decides to specifically target employees’ level of physical activity, smoking cessation, and stress management by implementing the following wellness initiatives:

1. An HRA every 18 months;
2. Biometric screening clinics every 18 months;
3. Health coaching by phone for smoking cessation and stress management;
4. Fitness and weight-loss initiatives;
5. Communication campaign;
6. Incentives for HRA and biometric screening clinic participation; and
7. Changes to organizational practices and the work environment to promote a mentally healthy workplace.

The Example Calculation: Some Caveats

The return-on-investment calculation presented here illustrates a simple tool that can be used by wellness leaders to demonstrate some of the impacts of workplace health and wellness programs. It is not a rigorous or exhaustive study of the effects of such a program. Many external factors, outside the wellness program, can lead to changes in employee behaviour that can influence organizational cost drivers such as casual absence and productivity. These external factors include management practices and financial incentives.

As well, this example supposes that all organizational programs and practices have stayed the same during the evaluation period. No overhead or administration costs other than the salaries of the wellness team have been considered in this analysis. As well, increases in salaries have not been considered during the analysis. A more rigorous ROI analysis should be calculated by an actuary or health economist.

Finally, the example ROI calculation is based on hypothetical program costs and savings. Actual costs and savings will differ depending on the organization’s workforce needs and wellness program details.
At the end of the wellness program’s fourth year, the wellness leader evaluates the financial impact of the program since implementation. The program includes the cost assumptions shown in Table 1.

**TOTAL COST CALCULATIONS**

**BIOMETRIC SCREENING CLINICS**
A total of 750 biometric screenings are conducted at Company XYZ following implementation of the wellness program:
- First clinic (at start of wellness program): 222 participants
- Second clinic (after 18 months): 250 participants
- Third clinic (after 36 months): 278 participants

**Cost of biometric clinics:**
750 participants × $50 per participant = $37,500

**INCENTIVES**
Assume that all biometric screening participants also participate in the HRAs and earn the $25 gift card.

**Cost of incentives:**
750 participants × $25 per participant = $18,750

**SMOKING CESSATION PROGRAM**
Smokers are identified and directed to the smoking cessation program during the HRAs and biometric screening clinics. This is done anonymously by the third-party provider, which is able to follow the participants through these assessments. Over the four-year period, assume
74 employees are identified as smokers during assessments and 25 per cent (19 employees) enroll in the smoking cessation program and received health coaching by phone.

*Cost of smoking cessation program:*

19 participants × $75 per participant = $1,425

**STRESS MANAGEMENT PROGRAM**

Employees at high risk for stress are identified anonymously by the third-party provider during the HRAs and biometric screening clinics. They are directed to the stress management program and receive health coaching by phone. Over the four-year period, assume 92 employees are identified as having high stress levels and 55 per cent (51 employees) enroll in the stress management program.

*Cost of stress management program:*

51 participants × $75 per participant = $3,825

**WALKING CHALLENGE PROGRAM**

Although the walking challenge program has moderate success during the first year, word of mouth leads to a significant increase in the number of participants in the following years:

- Year 1: 53 participants
- Year 2: 122 participants
- Year 3: 234 participants
- Year 4: 250 participants

*Cost of walking challenge program:*

659 participants × $100 per participant = $65,900

**GYM SUBSIDIES**

The number of employees who join a gym and request the subsidy increases each of the four years:

- Year 1: 25 participants
- Year 2: 54 participants
- Year 3: 68 participants
- Year 4: 72 participants

*Cost of gym subsidies:*

219 participants × $250 per participant = $54,750

**COMMUNICATION CAMPAIGN**

In order to promote employee engagement in the wellness program (in particular the HRAs and biometric screening clinics), the wellness leader spends $2,500 per year on an integrated communication campaign.

*Cost of communication campaign:*

$2,500 × 4 years = $10,000

**SALARIES OF THE WELLNESS TEAM**

The wellness leader works exclusively on managing the wellness program. He is paid $48,000 annually. His direct supervisor is the human resources director. One of the director’s responsibilities is to oversee the wellness program. She spends approximately 10 per cent of her time working on the wellness program. Her annual salary is $96,000.

Since implementation of the wellness program:

- Salary for wellness leader: $48,000 × 4 years = $192,000
- Salary for human resources director: [10 per cent × ($96,000 per year × 4 years)] = $38,400

*Cost of salaries for the wellness team:*

$192,000 + $38,400 = $230,400

**TOTAL SAVINGS CALCULATIONS**

The wellness leader cannot measure every organizational impact of the wellness initiatives. Instead, he focuses on the impact of the program on reducing health risk factors and absenteeism.

**SMOKING CESSATION PROGRAM**

It is estimated that employees who smoke cost organizations approximately $3,396 more per year than do non-smoking employees due to increased absenteeism, decreased productivity, increased life insurance costs, and the cost of providing smoking facilities.1 Of the 19 participants who enroll in the smoking cessation program, 9 quit smoking (3 during the first year of the program, 2 during the second year, 2 during the third year, and 2 during the fourth year).

Estimated savings from smoking cessation program:
- (3 participants × $3,396 per participant) × 4 years = $40,752
- (2 participants × $3,396 per participant) × 3 years = $20,376
- (2 participants × $3,396 per participant) × 2 years = $13,584
- (2 participants × $3,396 per participant) × 1 year = $6,792

Estimated total savings from smoking cessation program for 4 years:
$40,752 + $20,376 + $13,584 + $6,792 = $81,504

REDUCTION IN HEALTH RISKS AMONG WORKFORCE (NOT INCLUDING SMOKING)
According to data from the benefits provider, on average, for each risk factor identified in the workforce, it costs Company XYZ an estimated $2,000 annually in productivity, benefits, STD, and LTD.\(^2\) For a more conservative and realistic analysis, only employees with three or more risk factors were used for the calculations since they incur the most costs for the organization. (See Table 2.)

To calculate the estimated costs in productivity, benefits, STD, and LTD associated with employees in each risk category (i.e., three, four, five, or six risk factors), the number of risk factors in the specified category has to be multiplied by the cost per risk factor (e.g., $2,000 per year) and by the number of employees in that category. For example, at the start of the program, the cost of employees with three risk factors is: (3 risk factors × $2,000) × 49 employees = $294,000.

If the wellness program had not been implemented:
- Total cost for the 4 years (as assessed by lost productivity as well as benefit, STD, and LTD costs): ($562,000 × 4 years) = $2,248,000

After implementation of the wellness program:
- Total cost for the 4 years (as assessed by lost productivity as well as benefit, STD, and LTD costs): ($562,000 × 1.5 years) + ($338,000 × 1.5 years) + ($220,000 × 1 year) = ($843,000 + $507,000 + $220,000) = $1,570,000

Total savings due to health risk reductions: [total costs without wellness program – total costs with wellness program] = ($2,248,000 – $1,570,000) = $678,000

CHANGES IN DIRECT COSTS OF CASUAL ABSENCES
Through its human resources information system, Company XYZ tracks changes in casual absence due only to health-related reasons since the start of the wellness program. (Total payroll: $25,800,000) (See Table 3.)

To calculate the estimated direct costs of casual absences for each year, the total payroll is multiplied by the direct costs of casual absence as a percentage of payroll. For example, at the outset of the program:

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\(^2\) These costs are for illustration purposes only. Actual costs may vary depending on the organization.
Estimated cost = casual absence × total payroll = 0.058 × $25,800,000 = $1,496,400

Then, the estimated savings for each year due to the implementation of the wellness program equals the difference between that year’s estimated cost of casual absences due to health-related reasons and the estimated costs at the start of the wellness program. For example:

After Year 1: Estimated Savings = estimated cost (At start of program) – estimated cost (Year 1) = ($1,496,400 – $1,421,580) = $74,820

These annual savings are then added together to get a picture of the total savings in casual absences.

Total savings in casual absences for the 4 years: ($74,820 + $145,899 + $213,425 + $277,573) = $711,717

Companies may also want to calculate savings in the indirect costs of absenteeism. An example of this calculation is found on page 24 of this report.

**ROI Calculation**

The calculation of ROI is shown in Table 4.

**Total Program Return on Investment**

ROI = total savings / total costs = ($1,471,221 / $422,550) = 3.5

Therefore, the wellness leader can state with confidence that a conservative measure of the ROI for the wellness investment is 3.5:1 or a savings of $3.50 for every $1 invested.
# ROI CALCULATION WORKSHEET

## ROI Calculation Worksheet

**Employer costs**

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**Total Costs**

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**Savings**

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**Total Savings**

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**Total Program Return on Investment:**

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\text{ROI} = \frac{\text{Total Savings}}{\text{Total Costs}}
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Bibliography


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Spielman, Fran. “City to Workers: Join Wellness Program or Pay $50 a Month More.” *Chicago Sun-Times,* September 15, 2011.


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