# THE CONFERENCE BOARD REVIEW

IDEAS AND OPINIONS FOR THE WORLD'S BUSINESS LEADERS


Do companies care about their people's well-being?

## *In Sickness and in Health*

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THE CONFERENCE BOARD

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# IN SICKNESS AND IN HEALTH

## DO COMPANIES CARE ABOUT THEIR PEOPLE'S WELL-BEING?

BY VADIM LIBERMAN

VADIM LIBERMAN is senior editor of *The Conference Board Review*. He's doing well, thank you.

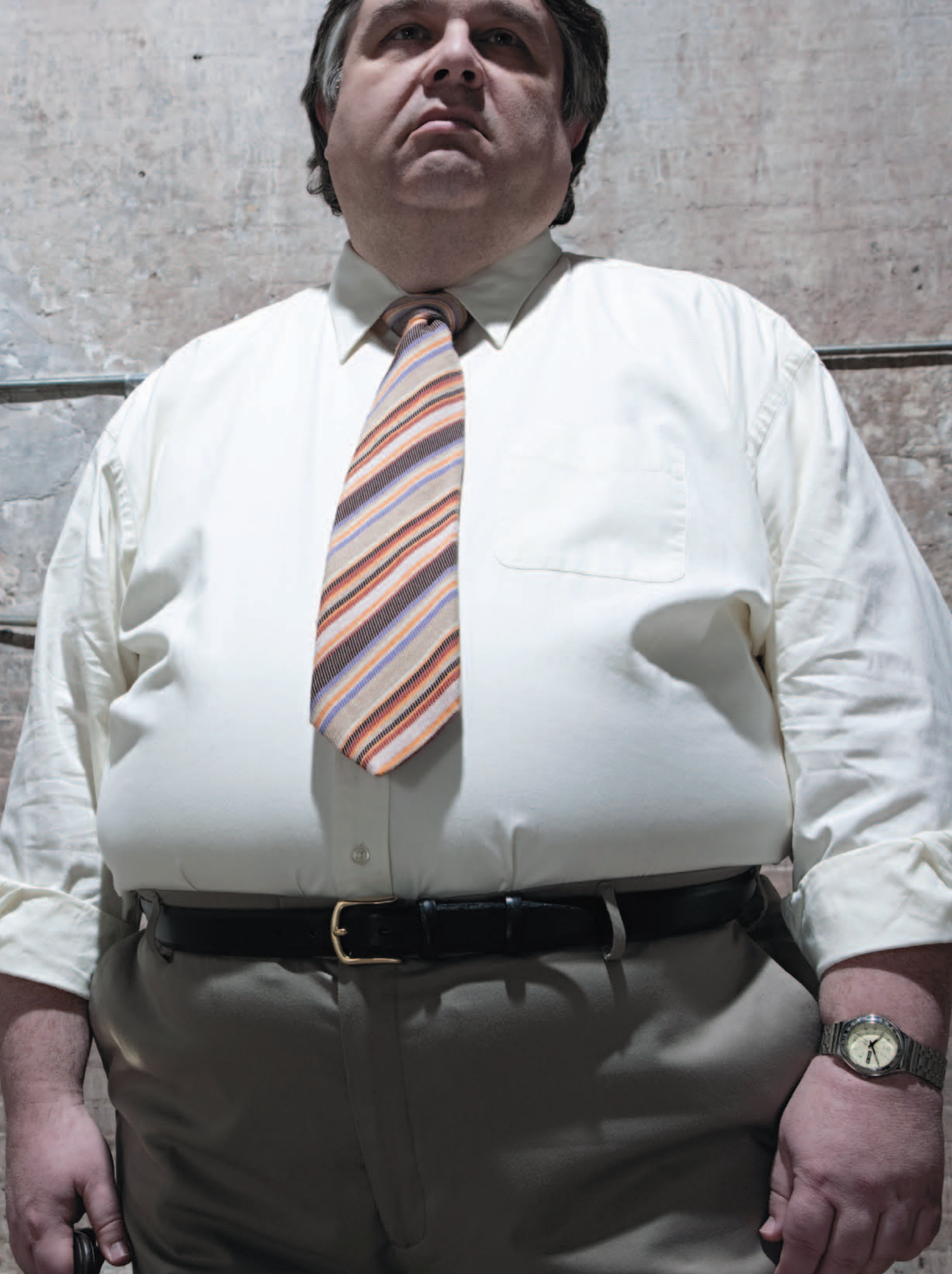
**AS THE WORLD GETS FLATTER, IT'S GETTING FATTER.** And sicker. Heart disease, diabetes, cancer, and a host of other conditions afflict more of us than ever.

But it's not only our ballooning bodies that are ailing. Companies are suffering from our ill health, exhibiting symptoms that include lower productivity, engagement, and morale, as well as higher medical costs. In other words, your people are your sickest assets. And organizations are self-medicating with wellness programs targeting nutrition, stress, obesity, and smoking—prescribing health fairs, counseling, walking clubs, weight-loss seminars, gym discounts, flu shots, health screenings.

To say that businesses care about their employees' health is to naïvely misstate what they really care about. Employers design wellness initiatives to enhance organizational performance and lower costs. Worker well-being is a side effect. Does anyone doubt that if unhealthy employees were more productive, companies would deliver free Big Macs to every lunchtime desk? Or cut back on health insurance?

Oh, wait. Organizations *are* doing the latter—yet another reason for the growing popularity of wellness efforts. It's cheaper to attack high blood pressure today than to treat a heart attack tomorrow.

According to a recent Buck Consultants global-wellness survey, two-thirds of organizations currently have a formal wellness strategy, up from 49 percent in 2007. However, few companies say they have fully



implemented their plans, especially across borders, and 28 percent of those with no strategy admit they don't know how to get started.

When contemplating global wellness programs, a dizzying array of influences—cultures, governments, healthcare systems—induces major migraines. Sure, it may *seem* like a good idea. It may *seem* like it's working. But because corporate wellness is a relatively new concept—most firms with a strategy have had it in place less than five years—you can hardly blame multinationals for feeling apprehensive. Nonetheless, whether your company is considering or already has international wellness programs, it's worth pondering your relationship with your people's health.

### MAKING CENTS OF WELLNESS

The main purpose of a wellness program—trimming medical expenses—is obvious. Except that it's obvious to no one outside the United States. When Buck asked companies to rate the relative importance of wellness-program objectives by geography, only Americans made reducing healthcare costs and insurance premiums the top priority. When Buck asked companies to rate the relative importance of program objectives by geography, reducing healthcare costs and insurance premiums came out on top in the United States only. Almost everywhere else, it languished near the bottom. The reason, of course, should also be obvious: Most U.S. employees receive health benefits through their employers.

However, by focusing on reducing healthcare costs, U.S. businesses may be swallowing the wrong pill to slash overall expenses. Productivity has a greater financial impact than medical costs, explains Barry Hall, a principal in the clinical-health-consulting and global technology-solutions practices of Buck Consultants. Sure, homing in on the latter can improve the former, but it also risks undervaluing activities, such as employee-assistance programs (EAPs), that have an important indirect effect on medical expenses.

Indeed, in Canada, Europe, and Latin America, productivity is companies' top wellness-program objective. Close behind: enhancing workforce morale and engagement, reducing absenteeism, attracting and retaining people, and furthering organizational values. "In very dynamic markets coming out of the recession, like China and India, companies are trying to think creatively about rewards packages that enhance the value of the employee's experience. Wellness is one of those levers," explains Lorna Friedman, a partner in global health management at Mercer. "Furthermore, a global study funded by the World Economic Forum indicates that when employees feel like their employers care about their well-being, they are eight times more likely to be engaged. Likewise, they are four times less likely to say they would leave the job within a year."

But the United States will not long remain an island in a worldwide sea of spiraling expenses, for if a multinational isn't dissecting healthcare costs, then it's clear who is. As people worldwide grow older and sicker—and medical technology spreads faster—every government will be taking a scalpel to its health-delivery system. States will inevitably look to businesses to share more expenses. Eventually, for companies of any size, wellness programs will no longer be a "nice-but-not-essential" option.

It's already happening. Much of Latin America and Japan now mandate that companies maintain on-site clinics. Japan goes even further. In a country with an already low obesity rate of 5 percent, a 2008 law requires companies to measure annually the waistlines of workers between the ages of 40 and 74. Men exceeding 33.5 in. and women surpassing 35.4 in. (average waist sizes for American men and women are 39.7 and 37, respectively) must undergo weight-loss counseling. Employers that fail to reduce the number of workers deemed overweight by 10 percent by 2012 and 25 percent by 2015 will have to pay higher premiums into the national insurance plan. As the waistline becomes the new bottom line in Japan, organizations are responding with fitness boot camps, healthy cafeterias, nutrition classes—you name it. Some break out the tape measure for people as young as 30.

## A GLOBAL STUDY FUNDED BY THE WORLD ECONOMIC FORUM INDICATES THAT WHEN EMPLOYEES FEEL LIKE THEIR EMPLOYERS CARE ABOUT THEIR WELL-BEING, THEY ARE EIGHT TIMES MORE LIKELY TO BE ENGAGED.

### WELLNESS AMBASSADORS

External pressures aside, a wellness strategy's effectiveness hinges on the commitment of senior leadership. But then, doesn't everything?

Yes, and that's the problem. Top managers already have a lot on their plate without having to worry about the fat grams on workers' plates. Indeed, about one-third of companies with no plans for a wellness strategy cite insufficient management support. "It's not that organizations don't care about the health of their people," explains Buck's Barry Hall, "but they don't all prioritize it highly. Many have yet to appreciate the economic and competitive values that the health of employees plays. Often, doing a global wellness program doesn't easily fit into the company's current infrastructure." Hall adds that industries with advanced safety programs, especially ones that already include on-site medical professionals, tend to adopt wellness ventures more readily than corporations that more heavily rely on salespeople scattered globally.

Additionally, Elaine Beddome, Hewlett-Packard's VP of global benefits, suggests engaging "wellness ambassadors," local individuals with a passion for health. Furthermore, Howard Gough, VP of distribution for CIGNA's Health Solutions unit, recommends that visiting senior execs speak with these health leaders to demonstrate the significance of wellness to the company. "Sometimes, it means meeting a production-line employee who wouldn't normally get access to senior leadership," Gough explains. "That kind of peer-to-peer interaction works great to drive initial and sustained engagement around wellness."

Now, if you want to quash employee enthusiasm for a wellness initiative, there's one easy way to do it: by touting corporate cost savings. Your people care how biometric screenings (measures of blood pressure, weight, cholesterol, and other health indicators) benefit them, not the company. Well-intentioned endeavors can easily flop if marketed poorly. For instance, in the United States, organizations often highlight an EAP as an opportunity to receive counseling. However, EAP can be a four-letter word if positioned similarly in Eastern Europe, Japan, and China, where workers perceive counseling as what you get when something's wrong with you. In such regions, Renee Janosch, Symantec's senior director of

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## A SMOKING CULTURE

Throughout the world, the most common technique to help workers quit smoking is a combination of counseling and prescription medication, but though it's a universal best practice, it may be best not to practice it universally. Nations where smoking rates are highest might be the last places to introduce anti-tobacco initiatives.

Take China. A significant majority of Chinese men light up—one in three smokers worldwide lives in China, where cigarettes are often served on trays, the government does little to discourage smoking (some argue it even encourages it), and manufacturers advertise everywhere the U.S. government doesn't allow them to in America. No surprise that workers are likely to resist attempts to get them to break the habit.

NATIONS WHERE SMOKING RATES ARE HIGHEST MIGHT BE THE LAST PLACES TO INTRODUCE ANTI-TOBACCO INITIATIVES.

And that's fine—if you have an established wellness program with other elements that employees already embrace. If you kick off your wellness plan by addressing tobacco use, you risk a backlash. Plus, how do you handle customers and potential business partners who come on-site expecting to puff away? This and other questions around tobacco cessation are not easy to answer, and many companies are struggling to find a balance.

In France, "if you led your wellness efforts with tobacco cessation ten years ago, it might have been enough to have undermined your entire program," says Jeff Dobro, until recently at Towers Watson and now chief medical officer at RedBrick Health. "But once public bans started to take effect, attitudes toward smoking shifted, so it's now easier to have a tobacco-cessation program."

Must companies wait for governments to take greater stands against smoking? Hong Kong may provide clues to an answer. Culturally, it's similar to mainland China. Yet it boasts one of the world's lowest tobacco-use rates—just 12 percent. Taxes also significantly raise cigarette prices, and there's a lot of evidence that economics, not just culture, influences smoking rates. Until governments just say no to tobacco, you might want to rethink where you focus wellness efforts. —V.L.

global benefits, underscores an EAP's ability to provide job-effectiveness skills.

Additionally, "wellness" can even be a dirty word, a catch-all term that may fail to resonate with employees. It's a heart-disease or weight-loss, not a wellness, program.

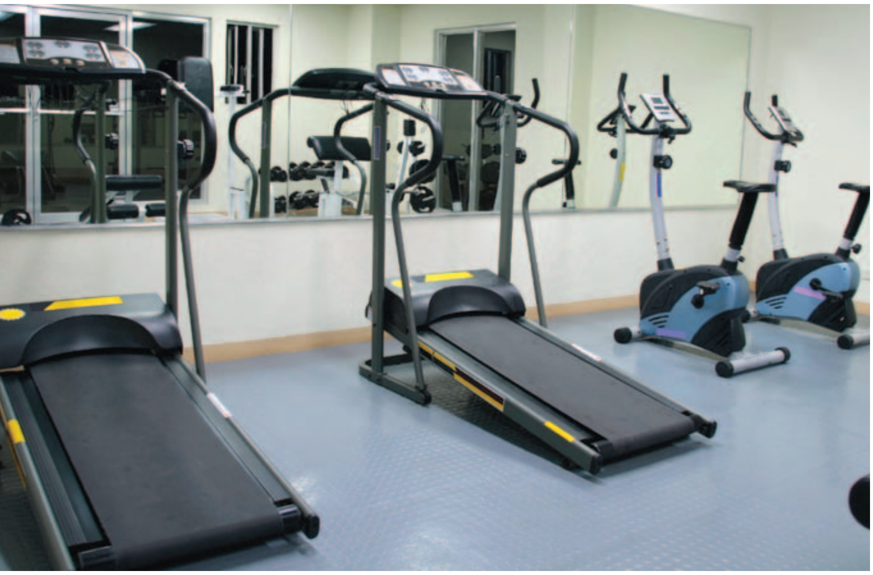
**GLOCALIZATION**

*Step one to developing a global wellness strategy: Decide whether to have a global wellness strategy.*

Almost half of all multinationals practicing wellness abroad claim to have no global strategy, citing differing cultures, laws, and practices worldwide as main reasons. Which begs asking: Does an organization *need* an overarching strategy?

The question is a nonstarter, since one could argue that having no strategy is a strategy. In fact, speaking with numerous experts for this article has only muddled the picture of what a developed global wellness strategy might look like. This is—and many wellness leaders will agree—either because multinationals are still working out their plans or because often, the entire basis of a strategy revolves around balancing central coordination with localized autonomy.

All this isn't to say that companies are randomly doling out an apple here, a flu shot there. For example, Dow headquarters promotes a main health issue yearly for all its workplace locations, while encouraging regional customization. This year's program, "Move for Good Health," targets physical activity. The company also has a worldwide "No Tobacco Day" and a "Walk at Dow Day." "Global walking programs can be very engaging, but one has to be sensitive to the local population and environment," cautions Mercer's Lorna Friedman. "Some areas, like in India, have very dangerous roads, so it's important to make sure you localize any global initiatives."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Local health risks, of course, are main drivers behind wellness programs. For instance, African wellness initiatives, more than anywhere else, emphasize HIV/AIDS and other infectious diseases, and multinationals provide education, testing, counseling, and vaccination. The emphasis is always on prevention.

You might be surprised at how little regional variance there is in the health conditions that companies address. Sure, Russians and Brits may like their cocktails stronger, and Europeans may value work/life balance more, but stress remains companies' top health concern in almost every area of the world. Except—maybe you guessed by now—in the United States, where organizations focus on physical activity and exercise.

Does that mean Americans are less stressed than everyone else? Not exactly. It means that U.S. organizations prefer to tackle obesity, high blood pressure, and chronic diseases—not coincidentally because of their more direct impact on healthcare costs. (That stress is the main issue addressed outside the United States—where medical costs are less relevant to companies—shines a conspicuous spotlight on the opening notion that, at least for U.S. corporations, true intentions lie somewhere other than workers' health.) Granted, stress and chronic disease can fuel each other, but U.S. firms are less likely to devote resources to initiatives, such as relaxation programs, that impact stress more than a condition that's easier to quantify in medical costs.

"U.S. employers may be dropping the ball on what an impediment stress can be to losing weight and quitting smoking," points out Buck's Barry Hall. "If you are stressed out by your job, you won't be able to do other things for yourself. It's also the number-one hit to productivity."

In coming years, stress may take a backseat worldwide. As the planet's middle class swells—in population size and BMI—everyone is mutating into an American, gorging themselves into lives complicated by heart disease, diabetes, and other diet-related conditions. According to the World Health Organization, the percentage of obese Mexicans inflated from 10 to 68 percent over the past twenty years. And by 2025, more Indians will have diabetes than not. As a result, companies are increasingly providing healthy foods in cafeterias, nutrition classes, and gym-membership discounts.

**SALSA VS. STATIONARY BIKES**

Gym discounts, it turns out, are so popular that maybe they're *too* popular. Though over 90 percent of employers offer them, many stationary bikes remain stalled. "Some companies put in a bunch of components that may not be

# ARE CARROTS GOOD FOR YOU?

Think your people will eat a vegetable, do a jumping jack, or even complete a questionnaire just because you ask them to? "I've worked with employers who paid workers $500 to fill out health-risk appraisals," recalls Judd Allen, author of *Wellness Leadership: Creating Supportive Environments for Healthier and More Productive Employees*.

Annually, companies spend anywhere from $10 to $3,000 per employee on wellness incentives. According to a Buck Consultants survey, 57 percent of organizations offer incentives for completing a health-risk assessment. While filling out an HRA is the most common program for which companies offer financial rewards, employers offer gift cards, prizes, wellness-class reimbursements, or cash for a variety of activities: getting preventative-care exams, refraining from tobacco use, finishing online educational courses, and partaking in workplace challenges. CEMEX, a building-materials manufacturer, awards diplomas to employees deemed healthy, an effort the company claims has helped ensure that 100 percent of its workers get medical exams.

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IF YOUR COMPANY IS OFFERING YOU EXTRA MONEY TO DO SOMETHING, THE THINKING GOES, IT'S PROBABLY BECAUSE YOU WOULDN'T ORDINARILY WANT TO DO IT.

So what will people do for a framed sheet of paper, and what will they do for $500? The answer depends less on the actual activity and more on geography. Because U.S. firms focus on reducing healthcare costs, they're better positioned to justify financial incentives from an ROI perspective. Put differently, American employers offer such incentives because they can, American workers expect them because they can, and the cycle repeats.

According to CIGNA's Howard Gough, U.S. organizations offering no financial incentive to complete an HRA draw less than 10 percent participation. U.K. firms, meanwhile, engage around half of workers by dangling minimally priced or no carrots at all. "Americans think nothing of using incentives," explains Buck's Barry Hall. "For people living with nationalized health care, money and health are unrelated, so the concept of connecting the two is difficult for other cultures to conceptualize. They think it's crass."

Paying people may have other drawbacks. "When I first came to the company in the 1990s, we were amazed at how motivating a T-shirt was," remembers Dow's Dena Pflieger. "Eventually, we noticed that incentives created a sense of entitlement where people had the mentality, *I did this—now where's my stuff?* But their health-related behaviors weren't changing." Today, the company offers few incentives, preferring instead to educate employees on the value of its programs.

If your company is offering you extra money to do something, the thinking goes, it's probably because you wouldn't ordinarily want to do it. Consequently, caring for yourself takes on negative connotations. The same criticism applies to companies wielding a stick—from mandating program participation to increasing insurance premiums. Critics argue that penalizing workers contradicts creating a positive environment around health. But disincentives may have their place: A combination of rewards and penalties results in three to four times greater initial engagement in a program, reveals Red-Brick Health's Jeff Dobro, who quickly warns that punishment won't maintain long-term participation. (And if, for example, you're threatening to fire smokers unless they quit, you must offer comprehensive plans to help them do so.)

"Also, in developing countries, where basic access to care is a struggle, the last thing you want to do is start a disincentive, which will probably cost you more than simply supporting or sponsoring basic healthcare needs," says Towers Watson's Nicole Serfontein.

There's also the question of what you're seeking to incentivize. For some businesses, it's actual health results, but privacy issues usually make them impractical to track. More often, organizations look at participation. "We'll give you all the directions. We'll bring you the water. If you're drinking it, that's good enough for us," says Andrew Gold of Pitney Bowes.

Finally, wouldn't it be better to cultivate intrinsic rather than rely on extrinsic motivators? Yes, but not easier. "If we all knew the right motivators, we wouldn't have the health problems we do in the first place," Gold says. Building internal motivation demands a complicated journey into people's minds and deciphering years of behavioral-psychology data. A Sports Authority coupon is simpler.

Even so, companies should beware of an overdependence on incentives. Says Mercer's Lorna Friedman: "To build a culture of health is not an exchange of transactions." —V.L.

related to the risks or culture of the local population," Hall explains. "They're offering something just to check off a box."

In some cases, it's a matter of making cultural adjustments. For example, one organization in India discovered that women weren't using the corporate fitness center because they were uncomfortable wearing workout clothes adjacent to men. After the company created women-only hours, gym attendance picked up.

Indeed, culture shapes wellness efforts—in ways beyond the absurdly apparent, like recognizing that football isn't always football. Walking campaigns, once again, provide a more nuanced example. In France, they have little impact because the French already walk a lot, says Mercer's Lorna Friedman. Instead, she recommends encouraging French workers to cycle or hike. Likewise, rather than persuade Latin Americans to walk outside in the heat, a salsa class is a better opportunity to raise their temperatures. "The activity must be culture-specific and fun," Friedman counsels. "A best practice is being an opportunist."

Another best practice is to include family members, uncommon abroad but prevalent in the United States (likely an extension of insurance policies covering dependents). In many parts of the world, where relatives play an integral role in people's lives, "if you offer a healthy-cooking day for the whole family, you're more likely to get more workers participating," says Jayne Lux, a vice president at the National Business Group on Health (NBGH), a Washington, D.C.-based think tank.

Similarly, wellness efforts tend to work better when employees participate in groups, especially in Asia, where cultures de-emphasize the individual. People usually feel healthy peer pressure to succeed as co-workers encourage each other in teams, partaking in walkathons or *Biggest Loser*-type competitions, sometimes benefiting charities. "Workers are less likely to throw in the towel when the reward is going to be bigger than themselves," Friedman explains.

How a government delivers—or doesn't deliver—health care also influences how workers feel about corporate wellness. In the Philippines, about half of medical costs fall on the individual, and 70 percent of China's rural population pays out of pocket. Then there are communities in India and Africa, where raising heart rates on a treadmill is less imperative than checking heart rates to begin with. In these locales, with limited primary-care access, workers tend to embrace wellness efforts.

Not so much in the West. According to Buck's survey, 25 percent of organizations with no wellness-strategy plans cite a belief that managing employee health is not an organization's role. This isn't necessarily the company's belief—rather, outside the United States, particularly in Europe, "people expect that the government will supply health needs from cradle to grave, so you see less of a full appreciation of employer-driven wellness programs," explains Nicole Serfontein, a senior international consultant at Towers Watson.

## A CYNIC'S GUIDE TO WELLNESS

What if—keep an open mind now—you could slash medical costs and raise productivity without worrying about Mary's persistent cough, John's bloated belly, and Dick's impending throat cancer that he'll likely develop from smoking two packs a day? How could companies do that? By not hiring Mary, John, and Dick in the first place. Instead of bringing in sick people and then trying to transform and reform them, why not raise the health baseline from the beginning?

Don't worry about the law. Yes, you'll have to geographically adjust your ~~discriminatory~~ hiring practices, but why not start at home? In the United States, it's perfectly legal to ~~discriminate against~~ not hire fat people. They may sue based on disability-discrimination grounds, but according to an American Bar Association study a while back, judges find for the employer in 98 percent of such lawsuits. Very good odds.

Meanwhile, on average, each smoker costs a company $3,391 more a year for health care and lost productivity. Sure, it's illegal to deny employment to these people in twenty-nine states, but not in Michigan, or Delaware, or Texas!

So what do corporate execs think about this plan?

"Once you start hiring based on health aspects, you'll be screening out your entire pool," explains Dow's Dena Pflieger.

"We do not want to create a healthy versus non-healthy filter," proclaims Elaine Beddome at Hewlett-Packard. "Culturally, that's not what H-P is about. We want the best talent, and that's about capabilities and skills."

From an administrative point of view, health-based hiring isn't economically feasible, cautions Mercer's Lorna Friedman. "Just think of the processes you'd have to put in place to identify health criteria and enforce them!" she says.

Fine, but why not at least locate your offices where healthier people live? As Andrew Gold, executive director of global benefits planning at Pitney Bowes, points out, there's usually a positive correlation between the well-being of a region's population and local healthcare costs. Plus, healthier people tend to live in communities with higher taxes and a greater cost of not just living but doing business.

In the end, even a cynic would concede, it all evens out. —V.L.

"The whole notion of employers having anything to do with your personal life, let alone your health, doesn't always compute for people," Lux adds. However, as governments subtract more services in coming years, everyone's math might change.

**AN IMPOSSIBLE MEASUREMENT?**

Given that wellness programs yield healthy, productive employees—

Hold on. Until now, that's been everyone's assumption. A whopping 63 percent of organizations don't bother measuring wellness-program outcomes, according to Buck's survey. You'd think that large corporations, in particular, would take a thermometer to their expensive efforts, but 41 percent of companies employing more than twenty thousand people do not. Furthermore, 13 percent of firms that don't determine results believe there's no measurable return.

A small minority of businesses simply doesn't believe that the cost of measurement is justified. But is that a copout? U.S. companies spend a yearly average of $652 per employee on wellness programs. Doesn't it seem logical to assess effectiveness *at least once*? Unless your entire program consists of lunchtime walks, if you're spending money on something, shouldn't you want to measure its value?

Yes, and most businesses *do* want to measure. They just don't know how or, most commonly, claim insufficient resources to support measurement. Yet they continue offering programs worldwide. "Sometimes measurement is more about the employee value than the dollar value," says Symantec's Renee Janosch, Still, it's useful to pause here and ponder what other corporate endeavors an organization would continue without better financial ROI numbers. Why does corporate wellness get a pass?

Partly because it's still rather new worldwide, but mainly because—unlike in the United States, where employers can easily track medical expenses and at least attempt to control for variables such as wellness programs—access to healthcare data is limited elsewhere because workers don't receive coverage through work. "You're not dealing with large insurers with robust claims data," explains Mercer's Lorna Friedman. At the same time, businesses outside the United States aren't even trying to track healthcare costs because, in large part, they don't incur any.

So what are organizations interested in assessing? For starters, worker health. Otherwise, how else will you know if changes in well-being affect aspects such as productivity? That's why multinationals increasingly ask employees to complete annual biometrics screenings or company-sponsored physicals. Yet the most common appraisal is the health-risk assessment (HRA), a yearly survey in which employees answer questions pertaining to their health and wellness initiatives. (Employers receive aggregate, not individual, data.) About 85 to 95 percent of Dow's people participate in an HRA program, enabling the company to better target its wellness efforts, explains Dena Pflieger, the company's global health promotion leader.

Even when armed with such data, how can multinationals gauge a specific wellness initiative's influence on results? You can ask whether a tobacco-cessation program helped someone quit smoking, but that's different than asking whether a nutrition class lowered someone's cholesterol. Accordingly, many firms rely on participation rates, but as NBGH's Lux puts it: "Great participation rates are one thing, but if individuals keep coming to Weight Watchers meetings but haven't dropped a pound, what are you really measuring?"

This is where employers get stuck. They can measure shifting health status along with participation and satisfaction, but linking these to productivity, morale, engagement, and other ambiguous factors is a challenge that most multinationals admit they still face.

One connection seems clear: between worker health and productivity. "People who have poor health report lower levels of productivity," explains CIGNA's Howard Gough. Does self-reporting accurately measure productivity? "Independent studies by Harvard Medical School and the WHO show that there is a high degree of correlation between their measurements of productivity and what people say," he replies. In fact, one study indicates an 18 percent difference in productivity between healthy and unhealthy workers. Nonetheless, it remains difficult to demonstrate a conclusive causal relationship between particular wellness initiatives and productivity. Indeed, a good number of organizations concede that a weak business case is why they have no plans for a wellness strategy.

Still, wellness programs are hardly on life support, as they continue spreading globally. They just need a respirator to breathe more metrics into them. Most observers agree that wellness efforts are *probably* helping workers and organizations and probably worth their cost, but as Buck's Barry Hall warns: "Companies will have to demonstrate that what they're doing is working. Otherwise, the programs will go away." ■