

# Workplace Health

by Mercer Marsh Benefits

## Why Good Health Is Good Business

Building a Business Case  
for Health







Health and well-being have never been higher on the business agenda. The physical and mental well-being of staff has one of the largest impacts on the people costs of a business – making it a critical concern for any organisation. This paper shows why a data-driven approach to health is crucial for employers. Not only because wellness impacts engagement (and all the positive gains thereof) but also because the UK has a well-established “productivity problem” that is depleting the bottom line of UK companies.

In times of uncertainty, objective, informed decision-making becomes all the more important for businesses to forge a clear path forward. By establishing the right priorities based on a sound understanding of your workforce’s key health risks and behavioural barriers, you can create a clear and effective well-being strategy for your organisation. Moreover, taking such an approach yields the results and proof of return on investment that business leaders increasingly require.

In this paper, we:

- Analyse the cost of lost productivity for UK businesses.
- Build a picture of the factors affecting workplace health.
- Investigate unhealthy behaviours and how we can improve them.
- Consider the results of companies that are taking a metrics-based approach to health.

## Poor Employee Health Means a Poorer Bottom Line

The link between health, engagement and productivity is well evidenced. The tangible outcomes of poor health are motivating more and more organisations to take an interest in the factors that affect people's health both inside and outside the workplace, and to find ways to differentiate their employer brand by focusing on well-being.

One of the most obvious of outcomes of ill health is poor productivity – a longstanding problem in the UK. According to a recently published All Party Parliamentary Small Business Group report<sup>1</sup> (supported by the Federation of Small Businesses), productivity as measured on an output-per-hour basis was 17% lower than the G7<sup>2</sup> average in 2013 – the widest gap since 1992. Output per worker is 19% lower than average, giving the UK the lowest level of labour productivity of all G7 nations except Japan. And much of the reason for such a low level can be attributed to employees not being fully engaged at work.<sup>3</sup>

Research by Britain's Healthiest Workplace, one of the UK's largest studies of workplace health, puts the cost of lost productivity due to absenteeism and presenteeism at £57 billion per year (or 7.85% of payroll). But this may be just the tip of the iceberg. A multitude of other costs are incurred when employees are distracted or absent from work – everything from lost sales, slowed manufacturing, turnover, sick pay and the cost of cover for sick employees. On top of this is the cost of claims on policies such as employer's liability, group life, income protection and various other insurances and benefits, all of which increase the cost of lost productivity significantly. Health costs are also on the rise; in the UK, insurers predict inflation across health-related insurances for the next year to be 6.4%, some eight times the expected level of general inflation.<sup>4</sup>

However, research shows that companies that have the strongest culture of health and well-being are seeing improved engagement and productivity. The cost of lowered productivity for the most supportive companies in the Britain's Healthiest Workplace study measured 5.9% of payroll, compared with 10.7% for those with the least supportive cultures and programmes.<sup>5</sup>

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1. All Party Parliamentary Small Business Group. *An Inquiry Into Productivity and Small Firms*, 2015. The Group of 7: Canada, France, Germany, Italy, Japan, the UK and the US.  
2. The Group of 7: Canada, France, Germany, Italy, Japan, the UK and the US.  
3. Office for National Statistics. *International Comparisons of Productivity – First Estimates*, 2014.  
4. Mercer. *Medical Trends Around the World Survey*, 2016.  
5. Lambert L. "Working Well: Your Eight-page Guide to the 2015 Britain's Healthiest Company Survey," *The Sunday Telegraph*, 2015.





## Some Eye-opening Statistics



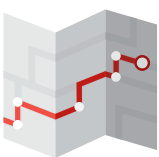
Engaged employees with high well-being were **35%** more attached to their organisations than those with lower well-being. The best companies to work for frequently outperformed the FTSE 100 norm, particularly during the economic downturn from 2009 onwards.<sup>6</sup>



**59%** of engaged employees say “work brings out their most creative ideas” (a point only agreed by **3%** of disengaged employees).<sup>7</sup>



Firms with engaged employees enjoy **87%** less turnover and that staff also take fewer sick days.<sup>9</sup>



Nearly **9 out of 10** engaged workers agree with the phrase “At work, I know where to go with an idea to improve customer service” (versus **1 out of 10** of the disengaged).<sup>8</sup>



**74%** of engaged employees strongly agree that they share new ideas with customers (compared with just **13%** of actively disengaged employees).<sup>10</sup>

6. <http://engageforsuccess.org/the-evidence-wellbeing-and-engagement>, 2014  
7. Corporate Leadership Council. *Employee Engagement Survey*, 2004.  
8. Gallup. *Engaged Employees Inspire Company Innovation*, 2006  
9. Ibid.  
10. Ibid.

# A Picture of Workplace Health

## Our Ageing Population and Workforce

Early in 2016, the Office for National Statistics reported that men aged 65 today can expect to live for another 19 years. For women, the news is even better – they’ll live another 21 years beyond 65.<sup>11</sup>

Our ageing population is having a profound impact on our workforce. Currently, 9.4 million employees are over 50 years of age,<sup>12</sup> and this number is set to increase by a further 3.7 million by 2022.<sup>13</sup> This is a massive demographic shift in itself, and it will be compounded by people working well beyond the traditional retirement age.

More than 50% of UK employees now expect to work to beyond the age of 66,<sup>14</sup> and already more than a million over-65s are still working – double the figure from 20 years ago, when employees had to take compulsory retirement. The reality is that people will likely still be working when they start to suffer the sorts of illnesses that previously they wouldn’t have experienced until retirement.

It’s worth noting here that the free movement of people throughout the EU has had a positive impact on the UK’s age profile in recent years, bolstering the working age population and talent pool. The impact of the UK’s ageing workforce is likely to increase in the event of any changes to migration policy post-Brexit.

## Younger Workers Are Also at Risk

Our ageing population is also impacting the health of younger generations. One in nine UK employees juggle their day jobs with caring responsibilities for not only their children and partners but their elders too. Today, 21% of employees use work time to deal with personal or family ageing issues and some 82% of employees older than 30 now suffer stress relating to ageing parents, or expect to suffer such within the next two years.<sup>15</sup> Your employees’ mental, physical and financial well-being will likely be directly impacted by family care responsibilities, as will their career choices.

Interestingly, adolescent health is also now reportedly in decline. Studies show teens now have worse health profiles than previous generations with markers of well-being, including mental health, obesity, smoking and alcohol consumption being either negative or static in comparison to their predecessors.<sup>16</sup>

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11. UK Government. “Life Expectancy at Older Ages Is the Highest It’s Ever Been,” [www.gov.uk](http://www.gov.uk), 2016.

12. The Chartered Institute of Personnel and Development, 2015.

13. Altmann R. *A New Vision for Older Workers: Retain, Retrain, Recruit*, 2015.

14. Mercer. *Defined Contribution Pensions and Workplace Savings Survey*, April 2012.

15. The Positive Ageing Company, 2013.

16. “Adolescent Health,” *The Lancet*, 2012.



## Modern Living and Our Health

Another consideration for employers is the impact that modern working practices and workplaces can have on people's health. As a nation, we're working more and moving less. Around five million adults now spend more than eight hours a day sitting down. And as one of the consequences of working increasingly longer hours, half of Britons admit to not doing any exercise at all.<sup>17</sup>

Add to that the pressures of everyday life both inside and outside the workplace. Mercer recently commissioned a Red C survey of more than 1,500 employees about the pressures they face in their day-to-day lives. The results show that workers bring huge amounts of stress with them into the workplace, which can then compound the feeling of not being able to cope at work.

The survey found that 52% of staff are "concerned" or "very concerned" about staying healthy while holding down their jobs, but that they also worried about whether they are saving enough for retirement (49% of respondents) or whether they would be able to provide for their family in the event of illness or death (45%). The survey respondents reported that such worries have a big impact on their ability to work effectively. Of those with such concerns, 78% said they felt they suffered from more personal stress, 61% said they had less concentration at work, and 56% said their job satisfaction was reduced.<sup>18</sup>

The impact that stress has on organisations today cannot be overlooked. In 2011, the Chartered Institute of Personnel and Development identified that stress had overtaken musculoskeletal problems as the leading cause of long-term absence from the workplace.<sup>19</sup> And a 2014 report from the Chief Medical Officer revealed the stark reality that sick days lost due to "stress, depression and anxiety" rose by a staggering 24% between 2009 and 2013 alone.<sup>20</sup>

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17. British Heart Foundation, 2015.

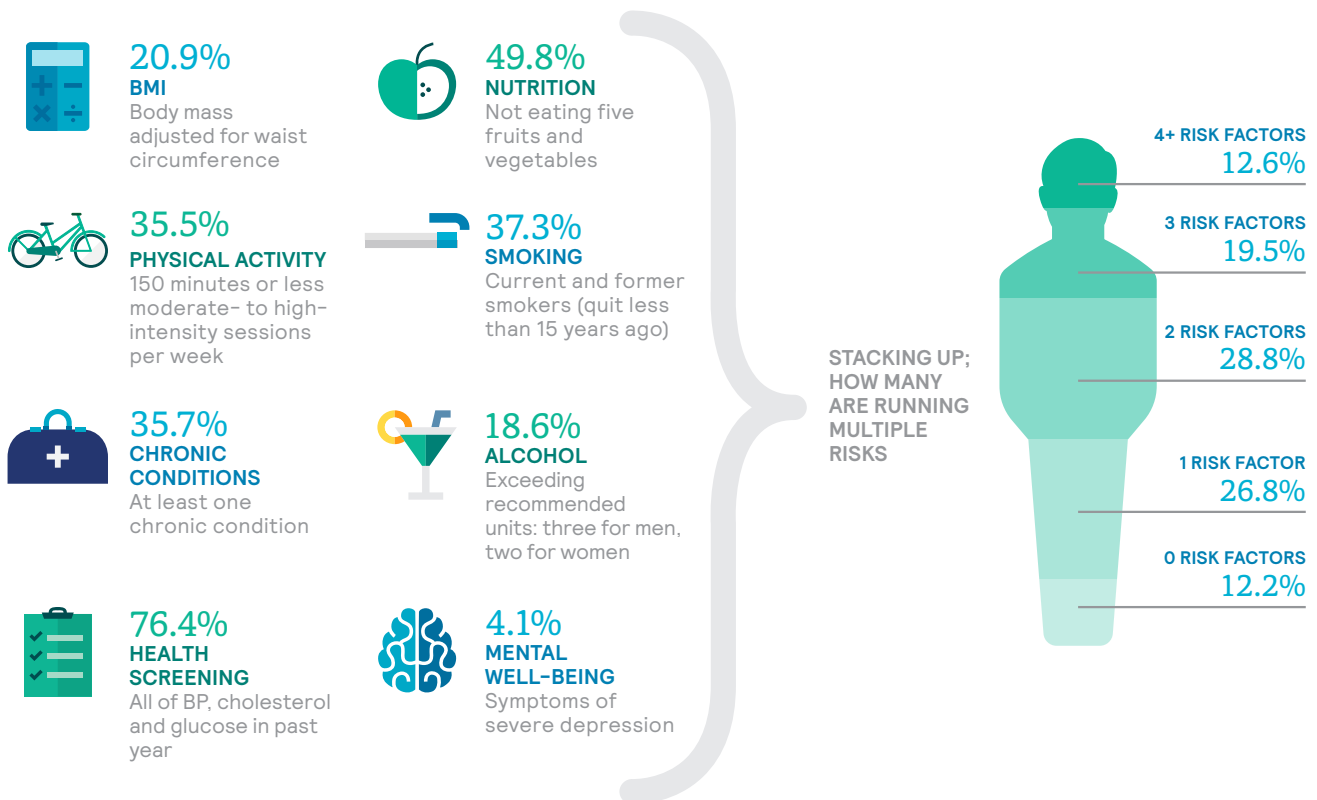
18. Mercer Red C Wellness Research, 2015.

19. Simplyhealth. "Stress Is Number One Cause of Long-term Absence for the First Time as Job Insecurity Weighs Heavy on the Workplace, Finds CIPD/Simplyhealth Survey," [www.simplyhealth.co.uk](http://www.simplyhealth.co.uk), 2011.

20. UK Government. "Chief Medical Office (CMO) Annual Report: Public Mental Health," [www.gov.uk](http://www.gov.uk), 2014.



## Percentage of UK Employees Demonstrating Unhealthy Behaviours



Source: *The Sunday Telegraph*, 6 September 2015, in conjunction with Britain's Healthiest Workplace research

## What Lies Behind Poor Data?

All of this information adds up to a somewhat gloomy picture of the health of our nation's workers. However, the important message here is that many of these issues are affected by lifestyle choices, behaviours and personal habits, all of which result in health risks for an individual. By targeting at-risk workers with the right interventions and initiatives and providing a supportive organisational culture, organisations can influence employee behaviours for the better. The key is understanding individual motivations and facilitating employees to take personal responsibility for their health and make healthy choices.

### Understanding Unhealthy Behaviours

Humans are complex creatures — we know what's good for us, but we don't always do it. After all, we're fighting 3 million years of evolution: we're still hard-wired to grab easy calories and to rest to preserve energy in case of future famine. And the increased availability of cheap, mass-produced food (nutritionally poor but calorifically rich) certainly hasn't helped.

When making a change, we're also generally not too keen on the idea of sacrifice (eating less food) or pushing ourselves (exercising regularly) for a distant reward (better health). Though once a change has been made, the endorphins produced through exercise, for example, do act as positive reinforcement of those behaviours.



Sticking to goals that will improve our health is difficult, even though we understand the future benefits. A UK study has shown that it takes people 66 days on average to form a new habit.<sup>21</sup> However, in that time, many (despite their best intentions) will fall by the wayside.

The good news is that most employees have high levels of intent to improve their lives for the better. The significant challenge employers face is how to turn these good intentions into sustainable action.

**57% of employees are motivated to change their BMI.**

**52% want to take up more physical activity.**

**25% want to improve their nutrition.**

**37% of smokers are motivated to give it up.**

**DO YOUR BENEFITS SUPPORT EMPLOYEES  
TO MAKE HEALTHY CHOICES?**

Source: Britain's Healthiest Workplace Research, 2015

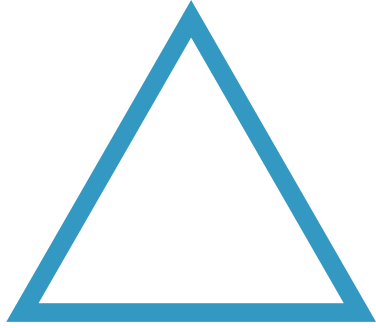
Remember, people are programmed to take the easy route. Perception and presentation often control behaviour. For example, studies show that halving plate sizes in a buffet setting led to diners consuming 30% less food on average.<sup>22</sup> Likewise, two-thirds of an individual's plate is filled with the first items they encounter in a buffet line – putting out healthy foods first can encourage diners to eat a healthier meal.<sup>23</sup> Herein lies the key to inspiring positive change: make the healthy choice the easy choice for employees by clearly communicating and ensuring ease of access to facilities, initiatives, incentives and benefits.

You must also stress test the relevance of your health programme – are employees using and valuing the offerings you have in place? If you can develop a good understanding of the individual behaviours of your workforce, how they contribute to health risks, and the appetite for change, you'll be in a much better position to target health interventions and initiatives in a way that gets results. Identifying your workforce's pain points, the effectiveness of your benefits in supporting these, and how best to address any gaps can give HR departments the power to create transformational health and wellness strategies. What's more, basing your strategy decisions on specific data about your workforce will give your organisation a valuable advantage in establishing meaningful, measurable health and wellness programmes.

21. Martin L. "Scientists Say It Only Takes 66 Days to Change Your Life, If You're Strong Enough," [www.elitedaily.com](http://www.elitedaily.com), 2014.

22. Holden, S.S, Zlatevska N, Dubelaar C. "Whether Smaller Plates Reduce Consumption Depends on Who's Serving and Who's Looking: a Meta-analysis," *The Journal of the Association for Consumer Research*, Vol 1, No 1 (2016).

23. Wansink B, Hanks A.S. "Slim by Design: Serving Healthy Foods First in Buffet Lines Improves Overall Meal Selection," Food & Brand Lab, Cornell University, 2013.



## Leaders of the Pack

One of the first organisations to take a data-driven approach to health and well-being objectives was multinational consumer goods company **Unilever**. The company launched its “Fit Business” initiative in 2009. As part of the programme, staff can undergo a variety of health tests and access follow-up interventions based on their results. After running the pilot programme, the proportion of Unilever employees with a BMI classed as “overweight/obese” or “very obese” fell by 26% among factory workers and by 9% among office staff, and a greater proportion of employees moved into the “normal” range for blood pressure. Staff also started exercising more: the number of days a week on which staff did at least 30 minutes of exercise rose from 3.03 to 3.17 for office workers, and from 3.14 to 3.32 for factory staff. The results were evaluated by Myriam Cherti, from the Institute of Public Policy Research, and were concluded to have an indicative impact on productivity.<sup>24</sup>

• **London Overground Rail Operations Ltd (LOROL)** has used data analysis to address its particular causes of employee absence. The organisation created a database that records absence as soon as it occurs, enabling HR to see, in real time, who is absent from work and why. Through its “Taking Care of You” programme, LOROL has instituted various well-being initiatives and education programmes, distributing to staff everything from hand sanitisers to training DVDs on fatigue and concentration. Staff can receive flu jabs and access other health-related information on a “well-being bus” at one of its station depots. Perhaps most importantly, LOROL has also provided compulsory training for all line managers on conducting effective welfare calls and return-to-work interviews. Thanks to these measures, LOROL reports that the number of days lost to absence reduced by 1,600 across 2012–2013 (saving an estimated £340,000), and attendance improved from 96.1% to 96.8%.<sup>25</sup>

• Elevator company **KONE** has taken an innovative approach to defining what employee well-being and engagement means in the context of its 50,000-strong global workforce. Many of its roles are physical in nature, so back, neck and limb injuries were obvious risks; however, psychological issues such as stress were also increasingly relevant. Several specific issues were also identified, such as diabetes, weight management and tobacco use. After conducting thorough audits and surveys to understand how well its benefits supported staff well-being, KONE implemented a global, evidence-based health strategy named “Elevate Your Health”, which has garnered great results. As a result of various internal initiatives, employee engagement has risen by 10% since 2010, the frequency of industrial injuries is down by 3.40% and the number of staff who agreed that their job enables them to balance their work and personal life rose by 10%. Leveraging the global scale of its organisation also meant that KONE identified benefits harmonisation opportunities and cost-efficiencies that have saved the company more than €2.5 million.<sup>26</sup>

24. Crush P. “Interview with Brecon Jones, health and vitality manager at Unilever,” *HR Magazine*, 2010.

25. [www.lorol.co.uk](http://www.lorol.co.uk)

26. Pilbeam A/KONE. *When Employees Thrive, Organisations Thrive Case Study*, 2016.



## Next Steps for Your Organisation

Workforce health and productivity are inextricably linked. To get the best out of your employees, you must provide the best care and support. In order to craft a health and well-being strategy that is appropriate to your organisation, you must first strive to understand the unique issues facing your particular workforce. Gathering data on the mental and physical health concerns of your employees and then putting that information to work to identify your workforce's own pain points will form the basis of a workable, sustainable action plan. Certainly there is a lot to learn from the examples set by companies like KONE, Unilever and LOROL, but if your own programme is to succeed, it must address the specific needs of your employees.

The social and economic uncertainty triggered by Brexit is creating shockwaves for all employers – but this is a time for action for those firms looking to thrive in a low-growth economy. Leaders clearly need robust data and insights to support them in making sound business decisions. Now is a good time to get your benefits house in order and to be prepared with the information needed by your board to make strategic trade-off decisions.

Research shows that those firms that came through the global financial crisis stronger than they entered it – and actually improved their market position – were on average those firms that took a middle-of-the-road approach of prudent cost management, while maintaining investment in key areas. Those that cut investment fully, and those that made significant investments against the tide, typically either didn't survive the crisis or came out in a relatively weaker market position.<sup>27</sup> Companies that invest in their key asset – their people – in order to boost productivity and look to innovation to improve organisational efficiencies and create opportunities for growth are likely to see the same long-term commercial advantage.

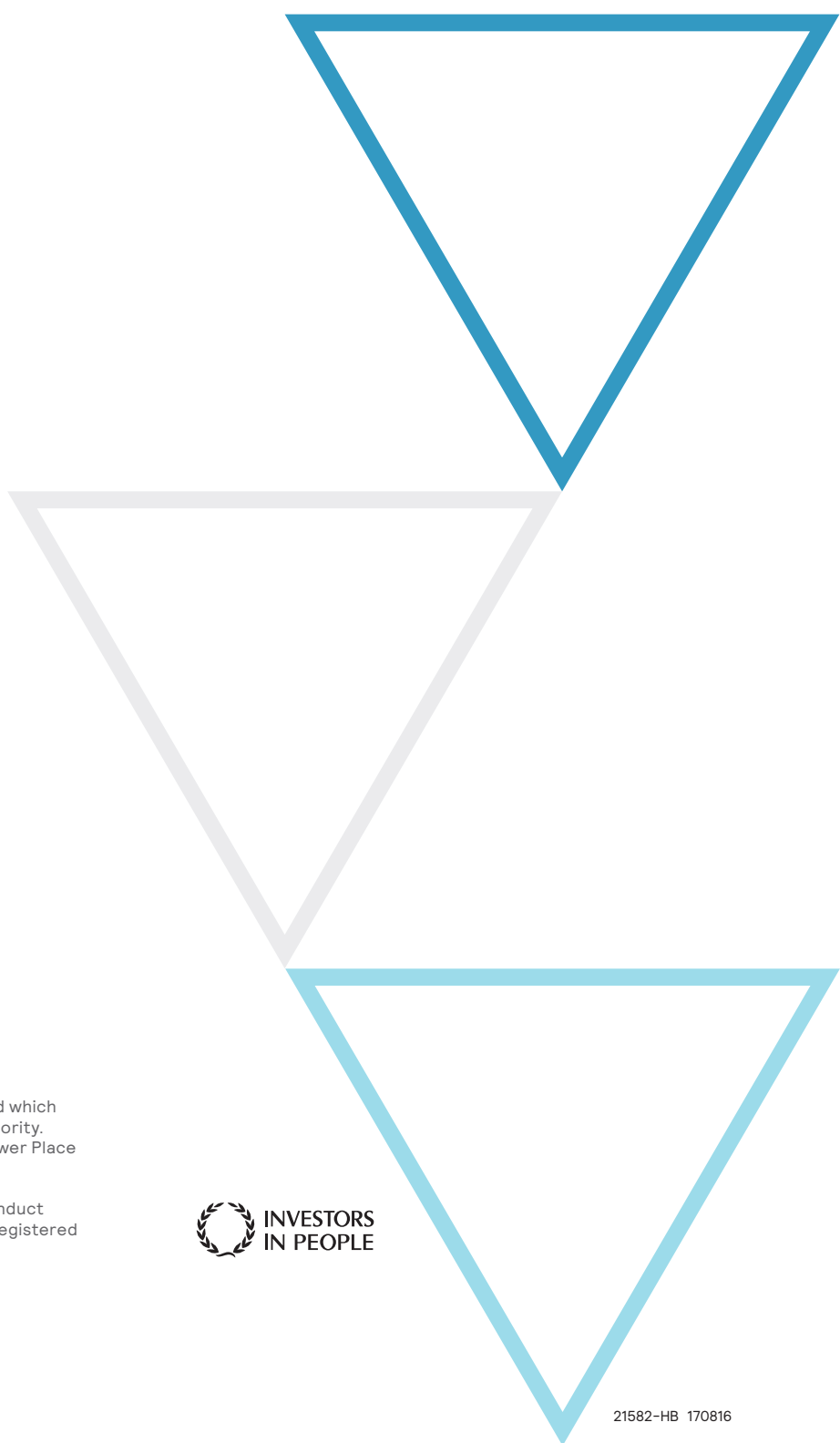
Our next paper will consider the ways in which data can be used to inform the business case for health and well-being and inform your strategic decision-making.

For more information on how you can take an integrated approach to improving health and well-being in the workplace, email us at [mercer.uk@mercer.com](mailto:mercer.uk@mercer.com) or visit [uk.mercer.com/workplace-health](http://uk.mercer.com/workplace-health).

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27. Harvard Business Review, Roaring Out of Recession, March 2010





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