# Health and Productivity Management:

## A Retrospective Analysis of Strategic Investments and Bottom-Line Results

Insights from the Shepell·fgi Research Group

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## Executive Summary

Strategic business management involves formulating, implementing and evaluating cross-functional decisions. The objective is to enable an organization to achieve its objectives. Almost all business strategies either explicitly or implicitly address the role of employees. All business organizations – whether the number of employees is 2 or 20,000 - require employees to execute on the business strategy. The employees who make up the organization hold the promise of success and differentiation, but also pose the risk of business failure and increased costs. Even with this level of importance, there remains a lack of consensus regarding how an organization should act after acknowledging, "employees are our greatest asset".

- To differentiate one's business outcomes, is it enough to ensure that employees have tools, training and clear work processes?
- What really drives the non-salary costs that employees incur, and how should this be addressed?
- How significant is the physical, psycho-social and economic environment to employees, and how should an organization manage the risks that this may pose to the business?

These are some of the issues that need to be understood if the employee component of strategic business management is to be fully leveraged. With this in mind, the Shepell·fgi Research Group undertook an analysis of each of these issues, and the outcome data from organizations that implemented strategies to address each one.

Typically, business objectives include growth, profitability, and outcomes that are valued by customers. In this analysis, we defined the major employee specific factors that relate to these business objectives as:

- Employee productivity, broadly defined as being at work, and contributing while at work, and
- Employee health, the absence of which is a driver of benefit costs and lost productivity.

**Our Findings:**

- Organizations who invested in a problem-solving approach, rather than a solely cost containment approach to absence and disability issues, realized a reduction in lost time ranging from 16% to 61%.

- The longer the organization had a strategic approach in place, the greater the impact was over time. This challenges the likelihood of the Hawthorne Effect, which is a temporary improvement in results due to increased attention or environmental change.

- Different strategies worked for different employers, based on the needs of their employees and the requirements of the organizational condition. This gives further significance to the interrelationship between health management and the business context.

Each of these findings validates 3 major tenets:

- The greatest value of EAP is realized when it is integrated into a total health management strategy. With this approach, EAP remains as a stable platform of trusted support, and is also systematically leveraged during critical moments, such as the initial stage of an absence.

- Disability management is truly a productivity management strategy, not a "case" management service. With this, interventions need to start before eligibility for the short-term disability, and be integrated into the work culture to optimize the success of an employee's return-to-work. These implications here are far reaching. They relate to workplace and benefits policy, administrative procedures, the support available to managers, group norms, as well as the timing, relevance and quality of problem-solving interventions that are available to employees.

- Many organizations, over many years, have had multiple services that deal with health, wellness, productivity and disability. How these programs connect and work together is pivotal to better outcomes.

In sum, Strategic Health and Productivity Management is like strategic business management in being cross-functional, and requiring the formulation of an aligned approach. Each service or activity must contribute to the organization's overall Health and Productivity objectives with greater consideration given to positive outcomes, over and above the confines of each service silo. This may be easily said, but we have also seen and experienced how it can be effectively done.

## INTRODUCTION

The term Human Capital reminds us of the need to invest in people, much like to we invest in other areas of capital for business success. The fact that we sometimes need to be reminded of this fact, is a concern. Part of the challenge is that unlike other areas of investment, there are certain complexities when dealing with human beings.

The first complexity relates to the definition of Human Capital. In general, Human Capital is the sum of relatively tangible areas, such as knowledge, skills and ability, as well as, certain intangibles such as judgment, focus, flexibility, motivation, and personal capacity. In many ways, knowledge, skills and ability may reflect basic requirements, while the intangibles account for differentiation in both business outcomes and cost.

The second complexity, relates to the measurement of Human Capital. Personal working capacity, for example, may be hard to qualify. The loss of working capacity, however, is seen in absence and disability. Judgment, focus, flexibility and motivation are even harder to quantify, but their absence links to lost productivity while at work, or "presenteeism". Measurement is key to understanding, isolating and managing strengths, weaknesses and risks in Workforce Health and Productivity, and ultimately in Human Capital.

### Health and Productivity Measurement

A well accepted management adage is " if you can't measure it, you can't manage it". This is as true for Workforce Health and Productivity as it is for anything else in business. Table 1 provides the components of Health and Productivity. These components illustrate the potential for lost business opportunity and increased cost.

**The first group** of components in Health and Productivity relates to total productivity disruption. It includes several measures of employee absence. This is the easiest group of components to measure on an ongoing basis.

**The second group** of components reflects productivity loss in the workplace, where this loss is related to health and functioning. This is typically referred to as presenteeism. Examples of presenteeism include a truck driver who falls asleep on the road; and an executive who procrastinates key decisions as a result of being distracted or impaired by a health problem.

**The third group** of components relates to complete productivity loss. Examples include an employee who resigns, is terminated or remains on extended disability leave, and must therefore be replaced. Additionally, there are indirect situations where an employee leaves an organization as a result of frustration with the work situation and/or added workload, because someone else in a workgroup does not live up to expectations. While there are many reasons for turnover, an unexplained deterioration in performance, significant withdrawal or increased conflict is typically predictive of this particular type of loss..

### Health Risk Factors and Health Determinants

There are several variables that may increase the probability of Health and Productivity loss. These include:

- Individual health risk factors and health determinants,
- Organizational health risk factors and health determinants, and
- Environmental health risk factors and health determinants.

A *health risk factor* is something that is known to increase the likelihood of illness. They include for example, an individual's poor eating habits (a individual health risk factor), harassment and bullying in the workplace (an organizational health risk factor), and lack of access to resources (an environmental health risk factor).

A *health determinant* is something that increases the likelihood of developing a health risk factors, and poses a barrier to the change required for improved health. Health determinants include for example, lack of knowledge regarding self-care and health issues (an individual health determinant), group norms (an

**Table 1: Elements of Health Related Productivity**

**Absenteeism**

1. Workers' compensation
2. Short-term disability
3. Long-term disability
4. Sick leave
5. Personal time off
6. Unpaid leave

**Presenteeism**

1. Time at work, that is not spent on work tasks
2. Quality of work / Mistakes
   a. Incidence and magnitude of errors and omissions
   b. Waste that impacts the capacity for peak performance
   c. Accident/Incident rates
   d. Oversight costs
3. Quantity of work
   a. Work capacity or output
4. Personal factors
   a. Social: Interpersonal functioning; Impact on morale and work culture
   b. Mental: Creativity, Concentration, Initiative
   c. Physical: Strength, Flexibility, Enduranced.
   d. Emotional: Resilience, Self-control
   e. Functional status: Ability to focus and execute on tasks

**Direct Human Capital Costs**

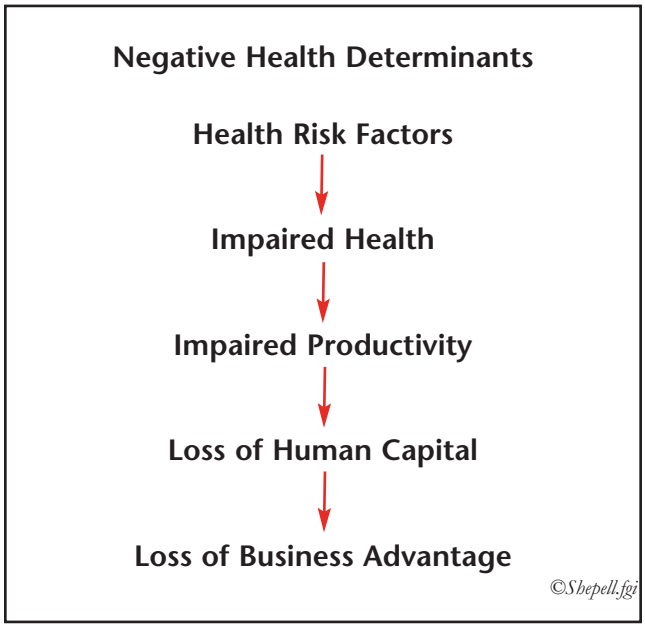
1. Employee turnover
2. Replacement costs

organizational health determinant), and a poor economic environment (an environmental health determinant).

In extreme, yet all too frequent situations, health determinants can be linked to business issues.(Fig. 1). Within each stage of the Health and Productivity continuum, there is potential opportunity and potential loss.

For example, research shows increased absence and presenteeism when there is an increased number of health risk factors. This absence and presenteeism is a loss that may occur well before any health condition or absence is apparent. Given this, several employers have focused on integrating interventions that address more than one stage of the Health and Productivity continuum.

**Fig 1. The Health and Productivity Continuum**




**EAP: A Platform for Improved Health and Productivity**

EAP has long been one of the most trusted and flexible platforms of employee and organizational support. In addition to managing risks such as stress and work life challenge, EAP is positioned to impact organizational health determinants through training and management consultation; individual health determinants through communications and personalized educational interventions; and responses to environmental stressor with services related to trauma, change and transition.

The evidence is also clear that EAP impacts both disability absence and productivity.

EAP and Disability Absence

A four-year study following 22 companies and nearly 100,000 employees showed:

- EAP use reduced the number of days off the job by 13-19 days for psychiatric, musculoskeletal and cancer claims, three of the leading diagnostic categories in disability claims.
- Employees who used the EAP were twice as likely to return to the workforce when compared to those who did not use the EAP.
- Only 2% of employees who used EAP transitioned from short-term to long-term disability, compared to 9% of those who did not use EAP.
- Organizations whose EAP utilization rate was 10% or more had 23-47% fewer disability claims than those without an EAP.

EAP, Performance and Productivity

- Participation in EAP services improved productivity when measured both at 2 and at 4 months after the EAP service.
- In a review of 8 years of data, clients reported that EAP led to an overall improvement in work performance.

Even with these compelling findings, there remains a need to ensure that EAP reaches the right person at the right time. Integration addresses this need.

**The Application of Integrated Health and Productivity Management**

Measurement is critical to the management of any issue. Nonetheless, measurement alone is not enough. Any approach to Health and Productivity (Table 1), must include a solution to a Health and Productivity challenge. Absence and disability are the easiest elements to measure, and have the clearest path to intervention. As such, this is the first place many organizations start. In Shepell·fgi's book of business, the most successful absence and disability management outcomes occur when the interventions that typically address other components of Health and Productivity, are leveraged as part of the absence and disability management solution. This includes EAP.

Integrated Attendance Support and Disability Management

This model supports absence administration, and leverages the benefit of EAP at the first day of an employee's absence, where appropriate. It also includes access to the full range of disability management interventions as early as possible, based on the needs of the claim, rather than either the length of an administrative waiting period, or the completion of claim forms.

Success factors include:

- Support to the organization with efficiency and the development of norms related to accountability. This is the result of improved administration and accessible real time absence reporting, given real-time absence recording.

- Leveraging the trusted support of EAP immediately when an employee's challenge progresses from presenteeism, to absence. Virtually every short or long-term disability claim begins with the first day of absence. As such, an intervention at this point is true early intervention.

- Resolution of the core reason for an individual's absence with resources, consultation and counseling. This flexibility of the approach supports the management of both external environmental stressors and personal issues. This differs from a solely administrative response in the intent to impact the course of absence rather than simply monitor it.

The results:

- A reduction in the number of absence incidents by 16% and more given increased accountability. This is due to the fact that an organizational issue is addressed with accountability in recording and reporting.

- A reduction in the duration of pre-disability absence by 20% to 37% due to immediate problem-solving. This is due to the fact that individual issues that relate to health and health risk factors are addressed.

- Measurable improvements in as little as 60 days, and continuing after almost 3 years. This is an indication of true impact, not just a temporary improvement due to added activity.

Early Triage Disability Prevention

A slight variation on the model noted above involves an outreach to absent employees after 3 consecutive days of absence. The outreach is not positioned as early disability management but rather as an extension of workplace support. The needs of the individual drive the response to the situation. This response can either leverage EAP services, and/or the tools and resources typically found in disability case management. Managers are also engaged in the process with training and guidance to ensure that their reporting of absence is consistent, and their role overall is clear.

Success factors include:

- The opportunity for manager training regarding their role in the absence and disability management process.

- A focus on the needs of the employee, rather than a service stream.

- Consideration of the culture of the workplace and the general environment in the decision to implement a variation of an existing model.

The results:

- Forty percent (40 %) of employees returned to work after the early triage call.

- The total number of absence days is less than half of the industry average.

Integrated Disability Management and Organizational Interventions

This model combines workplace problem-solving with the management of individual disability cases. In this approach, issues related to performance, work conflict and the structure of work, are separated from personal health issues. Workplace concerns that are related to an employee's return-to-work after a prolonged absence, or after a declined disability claim, are also addressed.

Success factors include:

- Structured interventions that address practical and organizational challenges to productivity at the same time as individual health barriers. This avoids undue delay in the resolution of a claim.

- Support to managers in fulfilling their role in disability absence, and with information that enables business planning while the employee is off work, and when he or she returns.

- A multi-disciplinary approach applied very early in the course of an absence. This approach may include one or a combination of EAP, Organizational Health interventions and Health Management services.

The results:

- A 20 to 46% reduction in the average duration of disability claims.

- Continued impact over time, with almost 61% reduction in absence days after 3 years.

**Discussion**

Through this review, we see a compelling case and evidence that supports managing Health and Productivity in the same manner as any strategic business initiative. When clearly articulated, the elements of health-related productivity emerge as definable potential risks to the financial health of an organization, and its business goals. This articulation is a first step in Strategic Health and Productivity Management.

We further recognize that business outcomes are impacted by employee and organizational health risk factors and health determinants. EAP is one tool to address this, particularly when awareness of EAP is raised at the same time that the impact of the issue increases. The first day of an absence is one such point.

Finally, we see that the integration of more than one Health and Productivity intervention yields better outcomes and enables a flexible configuration for each organization. The ultimate benefit is a comprehensive person-focused position, that without artificial administrative barriers. This approach positions an organization well to support employees in dealing with their personal challenges; to optimize the workplace with organizational interventions; and to manage the impact of the environmental factors such as the economy or access to resources, which can increase the stressors on both the employee and the organization.

## The Shepell·fgi Research Group

The Shepell·fgi Research Group, a subsidiary of Shepell·fgi, has a mandate to educate employers and business leaders on the physical, mental and social health issues that impact clients, their employees and families, and workplaces. The Research Group analyzes and provides commentary on key health trends, partnering with some of the industry's highest profile research institutes and scholars, and drawing from 25 years of expertise. The findings contained in this report are based on Shepell·fgi proprietary data and are supported by information from a variety of academic, government, and private research sources. References have been omitted for space considerations and are available upon request. Marla Jackson, MHSc., Director of The Shepell·fgi Research Group and Health Solutions Department, prepared this research report. Paula Allen, VP Health Solutions and Shepell·fgi Research Group oversees the Shepell·fgi Research Group. Questions or comments may be directed to Paula Allen at 1-800-461-9722. 