

# Wellness & Productivity Management

A New Approach to Increasing Performance



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# Executive Summary

In these volatile times, it is critical to focus on improving organisational performance in order to maintain or increase profitability. Managing your employees' physical health, psychological health and organisational engagement, in one coordinated and targeted program, will help achieve these outcomes.

While cost reduction is critical in the current environment, the reality is that business is under threat of increasing costs through absenteeism and presenteeism. Chronic disease is rising rapidly and mental illness such as stress and depression amongst employees is increasing, particularly as redundancies or rumours of redundancy occur.

A focus on either employee engagement or health and wellness alone is not enough. Together, however, they can create the sustainable lift in performance that you need to outperform your competitors. Our global study shows that an organisation that promotes health and wellbeing also encourages creativity and innovation and can be as much as two and a half times more profitable than an organisation that does not.

This document provides information and insight into how you can achieve a well organisation through a holistic focus on physical health, psychological health and engagement.

Right Management would like to thank the participants of this important study and acknowledge Hilda Wang and Kelly Samson for their tremendous work in preparing this research. My colleagues and I look forward to continuing to equip you with the essential resources and solutions you need to excel in these difficult times.

**Jamie Sims**  
Managing Principal  
Right Management

# Research Highlights

## OVERVIEW

The global financial crisis has highlighted the criticality of finding sustainable solutions to increase productivity and reduce costs whilst also increasing creativity and innovation to position companies for the future. Our research shows a clear link between health and wellness programs and organisational performance.

In the last decade, much of the focus around increasing productivity has been on “employee engagement”. Right Management’s research still supports the strong link between engagement and productivity<sup>1</sup>. More recently, however, academics and business practitioners are starting to question this singular focus on engagement as it is organisation centric and fails to consider the critical individual wellbeing aspect. An engaged employee who is not physically or psychologically healthy will have reduced productivity<sup>2</sup>.

Research has indicated that a sustainable wellness program needs to consider four key measures<sup>3</sup>.

## FOUR KEY MEASURES

- Lifestyle – physical activity, nutrition, weight management, alcohol use, tobacco use, sleep, behaviour risk
- Psychological Health – stress, anxiety, depression, resilience
- Physical Health – musculoskeletal, cardiovascular, medical history, general health
- Engagement – commitment, satisfaction, advocacy, pride, workplace factors

An approach that integrates all four elements will build a consistent and actionable strategy across the organisation.

## RESEARCH METHODOLOGY

More than 28,000 employees representing 10 major industry sectors in 15 countries participated in the study. Respondents were largely from private corporations (91%) employing 50 or more people. The organisations represented in the survey range in revenue from under US \$1 million to well over US \$1 billion.

## THE 10 MAJOR INDUSTRY SECTORS REPRESENTED IN THIS RESEARCH INCLUDE:

- Agriculture, Forestry & Fishing
- Mining & Quarrying
- Manufacturing
- Electricity, Gas & Water Supply
- Construction
- Wholesale & Retail Trade
- Restaurants & Hotels
- Transport, Storage & Communication
- Finance, Insurance, Real Estate & Business Services
- Government, Social & Personal Services

## GLOBAL FINDINGS

Right Management's global survey provides some important insights into why wellness is so critical:

### GLOBAL FINDINGS

- When health and wellness is managed well, organisation performance increased more than 2.5 times (25% v 65%). Alternatively when health and wellness is not managed well, organisation performance decreased more than 3.5 times (13% v 46%).
- When health and wellness is managed well, the number of engaged employees increased nearly 8 times (7% v 55%). Alternatively when health and wellness is not managed well, the number of disengaged employees doubles (45% v 93%).
- When health and wellness is managed well, creativity and innovation increases more than 3.5 times (20% v 72%). Alternatively when health and wellness is not managed well, creativity and innovation decreased nearly 7 times (7% v 48%).
- When health and wellness is not managed well, an organisation is four times more likely to lose talent in the next twelve months (20% v 5%).

The message for business in today's environment is clear. A focus on employee engagement or health and wellness alone is not enough. Together, however, they can create the sustainable lift in performance that is needed to outperform competitors, to meet the increasing expectations of stakeholders and to generate creative and innovative thinking.

## AUSTRALIAN AND NEW ZEALAND FINDINGS

Some specific Australian and New Zealand findings include:

### AUSTRALIAN AND NEW ZEALAND FINDINGS

- 51% of Australian and 58% of New Zealand employees work in organisations that actively promote health and wellbeing compared to 49% globally.
- 57% of Australian and 62% of New Zealand employees feel they can balance work and personal interests and still progress compared to 50% globally.
- 55% of Australian and 60% of New Zealand employees experience reasonable pressure at work compared to 53% globally.
- 56% of Australian and 62% of New Zealand employees have an appropriate workload compared to 53% globally.
- 68% of Australian and 71% of New Zealand employees work in a safe and healthy environment compared to 64% globally.
- 36% of Australian and 43% of New Zealand employees are engaged compared to 34% globally.

These results highlight the huge opportunity that exists for Australian and New Zealand business to improve performance through a focus on health and organisational engagement. While Australian and New Zealand results are better than the global norm, one in two employees still work in organisations that don't focus on health and wellbeing and nearly two-thirds of employees are not engaged in the organisation or their jobs. The opportunity for improvement is substantial.

# Further Health & Engagement Insights

The following insights provide Australian and New Zealand data in relation to physical health, psychological health and organisational engagement.

## PHYSICAL HEALTH

Chronic disease, affecting quality and length of life, is responsible for more than half of all deaths in the world and is projected to account for two-thirds of all deaths globally in the next 25 years<sup>4</sup>. This is despite the fact chronic disease is linked to individual lifestyle and is largely preventable. Losses in productivity resulting from chronic disease include disability, unplanned absences, reduced workplace effectiveness, increased accidents and negative impacts on work quality or customer service<sup>5</sup>.

Globally, diabetes is the fastest growing chronic disease<sup>6</sup>. In Australia, it is estimated that 1.5 million people are living with diabetes and, in addition to this, approximately 275 people develop diabetes each day<sup>7</sup>. In New Zealand, diabetes is also an epidemic. An estimated 116,000 people have been diagnosed with the disease<sup>8</sup>.

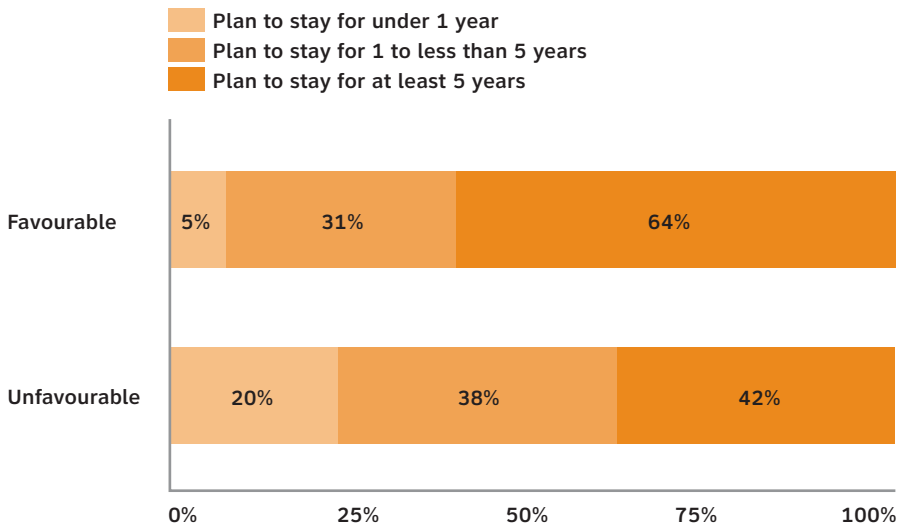
The World Health Organisation estimates that more than 400 million people are obese globally<sup>9</sup> and this number is expected to grow by 75% by 2015. In Australia, 70% of men and 60% of women aged 45 – 60 are now classed as obese<sup>10</sup>. Overall, 16.4% of all Australian adults are obese<sup>11</sup>. In New Zealand, 30.8% of men and 30.2% of women aged 45 – 54 are obese. This figure rises to 35.9% for both sexes in the 55 – 64 age bracket<sup>12</sup>. Overall, New Zealand has an obesity rate of 25%, which is much higher than the OECD median of 13%.

Obesity is a significant contributor to cardiovascular disease, Type 2 diabetes and some cancers<sup>13</sup> and affects organisational profitability through disability and the cost of unplanned absences. Research conducted by The Australian Bureau of Statistics found that people who were overweight or obese had higher than average rates of absenteeism compared to those who were underweight or normal<sup>14</sup>.

### RELATIONSHIP BETWEEN HEALTH AND WELLNESS AND RETENTION

The following graph shows the relationship between health and wellness and employee retention. It clearly indicates that organisations that don't promote health and wellness are four times more likely to lose talent in the next 12 months<sup>15</sup>.

**Figure 1: Relationship Between Health and Wellness and Retention**



### PSYCHOLOGICAL HEALTH

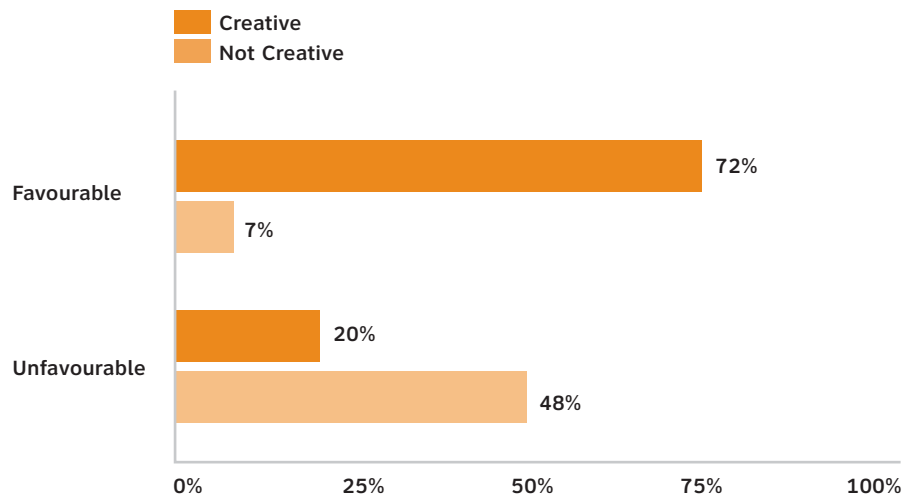
Workplace stress is a significant risk factor for developing depression<sup>16</sup>. Mental illness such as depression amongst employees is escalating as redundancies or rumours of redundancy occur. This year, more than one million Australians are expected to experience depression or a mental disorder as the economy falters amid the global financial crisis<sup>17</sup>.

Each year in Australia, undiagnosed depression in the workplace costs AU \$4.3 billion in lost productivity and this excludes Workcover/insurance claims, part-time or casual employees, retrenchment, recruitment and training<sup>18</sup>. Each employee with depression will, on average, take three to four days off work per month, which is equivalent to over six million days lost each year in Australia<sup>19</sup>. In addition to absenteeism, depression accounts for more than 12 million days of reduced productivity each year.

### RELATIONSHIP BETWEEN HEALTH AND WELLNESS AND CREATIVITY AND INNOVATION

The graph below shows the relationship between health and wellness and creativity and innovation. It indicates that participants who said their organisation promotes health and wellness were 3.6 times more likely to agree that their organisation encourages creativity and innovation<sup>20</sup>.

**Figure 2: Relationship Between Health and Wellness and Creativity Innovation**



### ORGANISATIONAL ENGAGEMENT

Organisational engagement is the intellectual and emotional alignment that an employee has with the organisation. It is a key driver of organisational effectiveness and reflects an employee's involvement with and contribution to the success of the organisation.

Engagement consists of four factors:

- Pride
- Commitment
- Advocacy
- Satisfaction

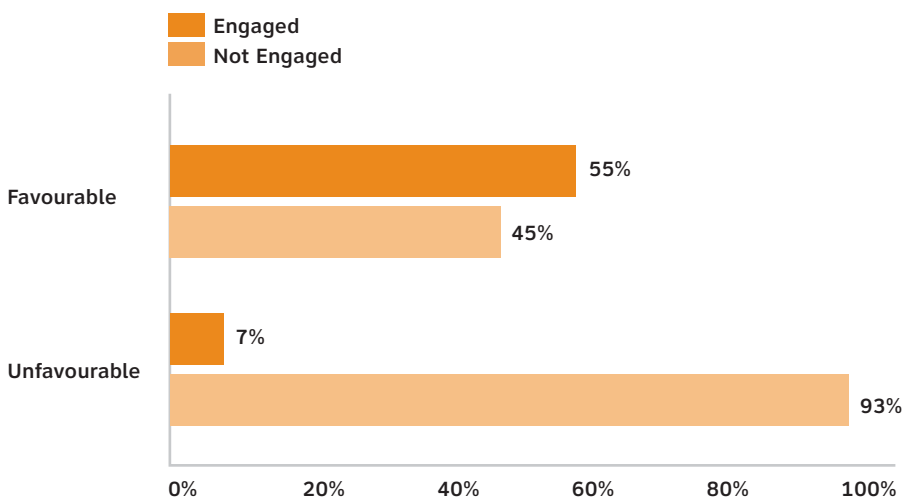
Our research shows that only 36% of employees in Australia and 43% of employees in New Zealand are engaged.

Studies show that highly engaged companies are 29% higher in revenue, 50% more likely to have above-average customer loyalty and 44% more likely to turn above-average profits<sup>21</sup>.

### RELATIONSHIP BETWEEN HEALTH AND WELLNESS AND EMPLOYEE ENGAGEMENT

The following graph shows the relationship between health and wellness and employee engagement. It indicates that participants who said their organisation promotes health and wellness were nearly 8 times more engaged than people in organisations where it is not promoted. Additionally, regression analysis shows that health and wellness is a key driver of employee engagement<sup>22</sup>.

**Figure 3: Relationship Between Health and Wellness and Employee Engagement**



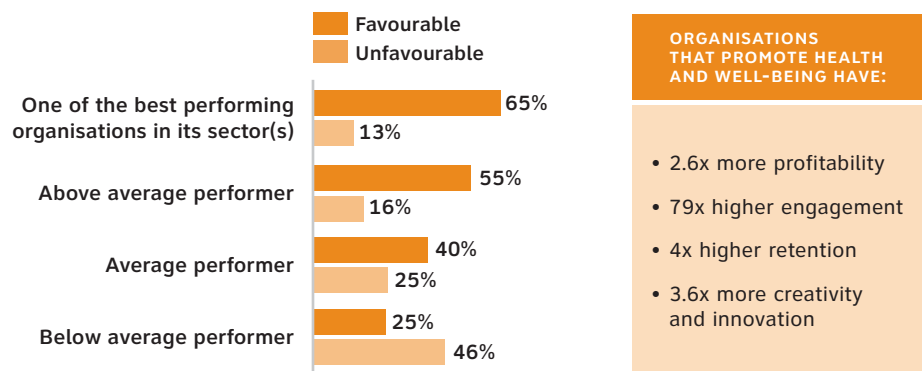
### IMPLICATIONS FOR ORGANISATIONS

The business case for physical and psychological health is more critical than ever before. Mental illness, such as depression, is increasing from the impact of the financial crisis whilst obesity, and associated potential chronic illness, is at epidemic levels<sup>23</sup>. These factors are forecast to increase significantly in the future and will have a major impact on organisational productivity.

The financial implication of not managing wellness is a significant reduction in profitability (see table below). Our research indicates that in organisations where health and wellness is encouraged, financial performance increases by more than 2.5 times. The current state of global

financial markets means organisations that do this well will not only improve their chances of survival but will be ready to capitalise swiftly as the market conditions improve.

**Figure 4: Relationship between “My organisation actively promotes health and wellness” and Organisation Financial Performance**

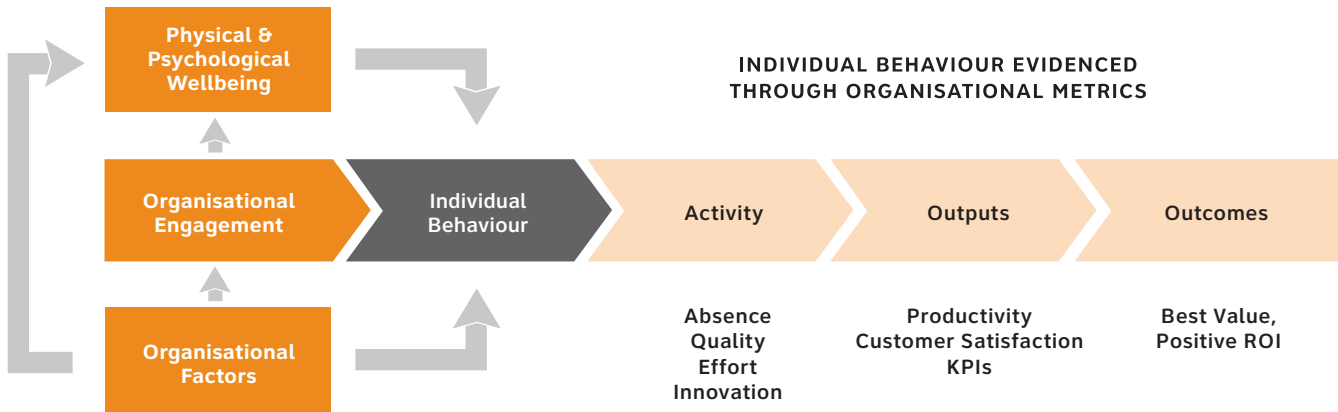


**ADVICE FOR ORGANISATIONS**

Organisations should adopt an integrated approach to wellness that defines and measures wellness as involving physical health, psychological health and organisational engagement. A well organisation has engaged employees who are physically and psychologically healthy.

The first step in any behaviour change program is to raise awareness through measurement at the individual and organisational level. Organisational wellness can be measured by quantifying the collective health and engagement of the employees. In turn, this will allow leaders to make informed decisions about targeted and effective programs that will not only drive individual behaviour change but will also lead to increased performance, productivity and other key organisational measures.

**Figure 5: Wellness & Productivity Management Model**



Organisations need to develop strategy and pool resources to manage engagement and health in one combined program. Engagement and Health should not be viewed as two unrelated constructs managed by separate departments, HR and OH&S. To achieve productivity, reduce costs and increase creativity, business needs to focus on overall organisational wellness. It is no longer enough to focus solely on attraction and retention initiatives by providing gym memberships and Employee Assistance Programs and running employee engagement focus groups.

Measuring and understanding engagement and health segmentation of employees will guide the strategy of how to increase productivity.

Sustainable productivity improvement is created through:

- Communication to build the business case for why to do it
- Measurement to kick start the behaviour change by creating an understanding of what to do
- Education to create knowledge about how to achieve health and engagement
- Supporting systems and behaviours to embed the change
- Remeasuring to understand ROI

Creating wellness is not an event, it involves significant culture change. Such change will, however, allow the organisation to increase its productivity so that it will not only survive the economic downturn but be ready to take advantage of an improved economy when it arrives.

# Right Management in Australia and New Zealand

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# Right Management Around the World

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Chile	China	Colombia
Costa Rica	Czech Republic	Denmark
Egypt	Finland	France
Germany	Greece	Hong Kong
Hungary	India	Ireland
Israel	Italy	Japan
Luxembourg	Malaysia	Mexico
Morocco	The Netherlands	New Zealand
Norway	Peru	Philippines
Poland	Portugal	Puerto Rico
Romania	Russia	Singapore
South Africa	South Korea	Spain
Sweden	Switzerland	Taiwan
Thailand	Turkey	Ukraine
United Kingdom	United Arab Emirates	United States
Venezuela		

# Endnotes:

- <sup>1</sup> Global Benchmarking Study December 2008 Base: 28,810 employees.
- <sup>2</sup> World Economic Forum, Working Towards Wellness: The Business Rationale, 2008, Switzerland
- <sup>3</sup> World Economic Forum, Working Towards Wellness: Measuring Results, 2008, Switzerland
- <sup>4</sup> World Economic Forum, Working Towards Wellness: The Business Rationale, 2008, Switzerland pp 3
- <sup>5</sup> World Economic Forum, Working Towards Wellness: The Business Rationale, 2008, Switzerland pp 4
- <sup>6</sup> Diabetes The Facts, Diabetes Australia pp7 [www.diabetesaustralia.com.au](http://www.diabetesaustralia.com.au)
- <sup>7</sup> Diabetes The Facts, Diabetes Australia pp7 [www.diabetesaustralia.com.au](http://www.diabetesaustralia.com.au)
- <sup>8</sup> Diabetes New Zealand [www.diabetes.org.nz](http://www.diabetes.org.nz)
- <sup>9</sup> World Economic Forum, Working Towards Wellness: The Business Rationale, 2008, Switzerland
- <sup>10</sup> Stewart S, Tikellis G, Carrington C, Walker K, O'Dea K. Australia's future 'Fat Bomb': A report on the long-term consequences of Australia's expanding waistline on cardiovascular disease. April 2008, BHRI, Melbourne, Australia
- <sup>11</sup> Biggs, M. (2006) Overweight and Obesity in Australia, Parliament of Australia, [www.aph.gov.au/library/intguide/sp/obesity.htm](http://www.aph.gov.au/library/intguide/sp/obesity.htm)
- <sup>12</sup> New Zealand Ministry of Social Development [www.socialreport.msd.govt.nz/health/obesity.html](http://www.socialreport.msd.govt.nz/health/obesity.html)
- <sup>13</sup> "Human Capital, Motivation and Productivity. Brief Report from the Health as Human Capital Survey 2007", by Wendy Lynch et al, May 2007
- <sup>14</sup> ABS Overweight and Obesity in Adults, 4719.0 2004-2005. pp31. 2008 Commonwealth of Australia
- <sup>15</sup> Global Benchmarking Study December 2008 Base: 28,810 employees.
- <sup>16</sup> VicHealth (2006). Workplace Stress in Victoria: Developing a Systems Approach. [www.vichealth.vic.gov.au/workplacestress](http://www.vichealth.vic.gov.au/workplacestress).
- <sup>17</sup> Thomson Reuters 2009. Recession drives more Australians into depression  
Wednesday April 29, 2009 <http://au.quote.com/news/story.action?id=AEF9042900000001QL>
- <sup>18</sup> Hilton, M. (2004). Assessing the financial return on investment of good management strategies and the WORC Project. The University of Queensland.
- <sup>19</sup> Andrews G, Hall W, Teesson M, and Henderson S. (1999). The Mental Health of Australians. Mental Health Branch, Commonwealth Department of Health and Aged Care.
- <sup>20</sup> Global Benchmarking Study December 2008 Base: 28,810 employees.
- <sup>21</sup> Izzo, John B. & Withers, P. Values Shift: The New Work Ethic & What it Means for Business. Prentice Hall Canada, 2000.
- <sup>22</sup> Global Benchmarking Study December 2008 Base: 28,810 employees.
- <sup>23</sup> Stewart S, Tikellis G, Carrington C, Walker K, O'Dea K. Australia's future 'Fat Bomb': A report on the long-term consequences of Australia's expanding waistline on cardiovascular disease. April 2008, BHRI, Melbourne, Australia

# About Right Management

Right Management ([www.right.com](http://www.right.com)) is the talent and career management expert within Manpower, the global leader in employment services. Right Management helps clients win in the changing world of work by designing and executing workforce solutions that align talent strategy with business strategy. Our expertise spans talent assessment, leadership development, organisational effectiveness, employee engagement and workforce transition. Right Management partners with companies of all sizes. More than 80% of Fortune 500 companies are currently working with us to help them grow talent, reduce costs and accelerate performance.

Right Management is a wholly owned subsidiary of Manpower Inc., leader in the employment services industry, creating and delivering services that enable its clients to win in the changing world of work.

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