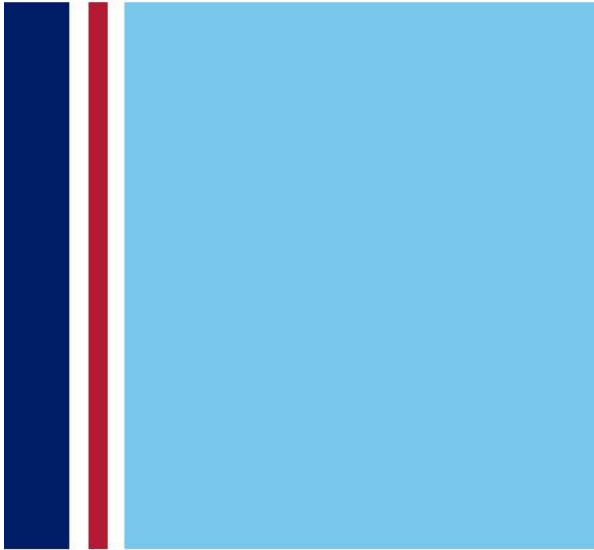


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Leveraging Workforce Effectiveness
and Workforce Health for Competitive
Advantage

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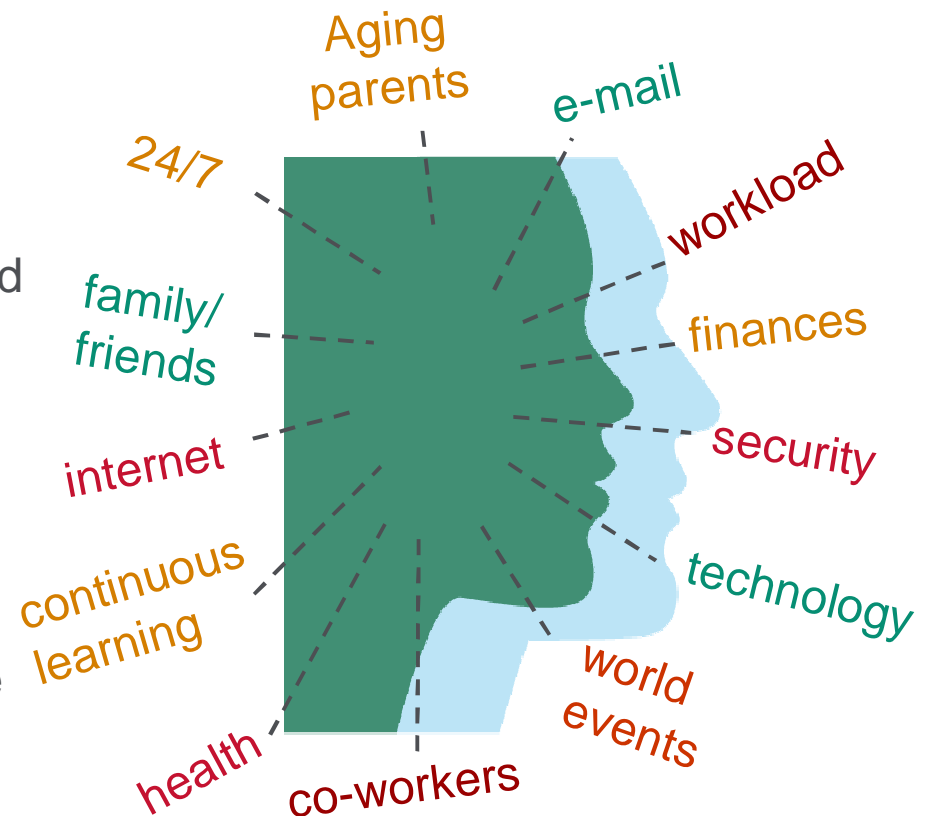


Agenda

- Why are you here?
 - Connecting the dots around Health and Productivity Management (HPM) and EAP
- What is the research saying?
 - Linkages between stress, health, work and corporate performance
- Extending EAP's reach

Controllable Risks That Are Impacting Business Performance

- Significant work stress #1 reason for employee turnover¹
- Up to 80% of workplace injuries due to stress²
- Mental health issues (stress, anxiety and depression) most common condition for STD and LTD claims³
- Employees who feel efforts are not effectively rewarded experience higher stress, injury and illness rates⁴
- Employees who have high demands placed on them and no decision latitude have higher adverse health outcomes⁵



¹ "The Power of Integrated Reward And Talent Management" 2008/2009 Global Strategic Rewards Report And Canadian Findings, Watson Wyatt

² American Institute for Stress, Atkinson, 2004

³ "Staying@Work: Effective Presence at Work" Watson Wyatt Worldwide, 2007 Survey Report, Canada

⁴ Dr. Tores Theorell, Karolinska Institute

⁵ Dr Robertt Karasek and Dr. Tores Theorell

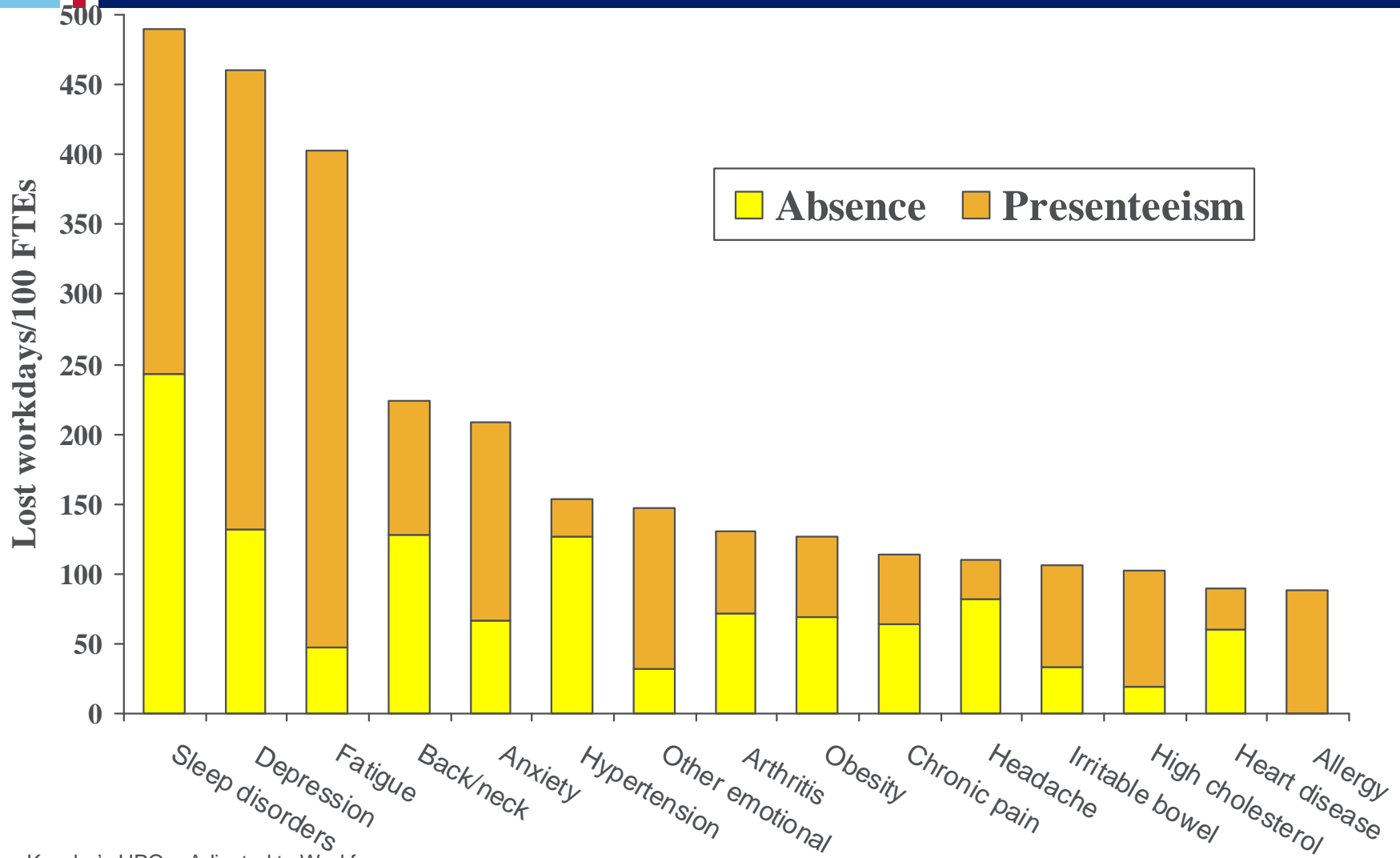
Stress is a contributing risk factor to business performance...

- Employee lost time “away” from work and employee medical costs.
- Employee lost productivity while “at work”.
- Employee turnover.

Stress: The Root of All Evil?

- **Work-related stress:** harmful physical/emotional responses that occur when job requirements do not match an employee's capabilities/resources/needs
- Top 3 causes:
 1. How the job is defined
 2. Work group environment
 3. Relationship with supervisor
- Changes in employee health relate directly to positive/negative changes in leadership, organizational commitment and reporting job strain

Top 15 Drivers of Lost Work Time



Source: Kessler's HPQ – Adjusted to Workforce

The Stress Disconnect

- Despite the impact that stress has on employees (and organizational) organizations are unaware of the impact of stress on the workforce
 - Organizations fail to list stress among top 5 reasons employees leave, while employees rank stress #1

Organization View	Employee View
Base pay	Stress levels
Career development	Base pay
Promotion opportunities	Work/Life balance
Relationship with supervisor	Promotion opportunities
Work/Life balance	Trust/confidence in management

2008/2009 Global Strategic Rewards® Study – Canadian Findings

The Business Case for HPM

- Many of “top 10” health conditions in terms of total workplace costs tied to/affected by stress
- Research supports the impact of wellness programs on employee health
- As health is a performance driver, “healthy” organizations should experience superior performance while reducing health-related costs

Linking Research to Organizations: *Staying @Work* Survey Results

- Workplace stress leads to increased health care costs due to workplace injuries, presenteeism, absenteeism, and higher healthcare costs.
- **Effective** H&P programs can help reduce workplace stress and associated costs
- Canadian and U.S. versions of Watson Wyatt's *Staying @Work* (S@W) surveys show many organizations **lack tools and knowledge** to measure program effectiveness
 - Those that do see a positive impact on their employees and their bottom lines

S@W Highlights - Canada

- Average Canadian participating organization spending over **\$10.5 million** annually on total absence claims
- Mental health claims the most frequent disabling condition for both STD (82%) and LTD (72%)
- Respondents willing to commit resources to H&P programs, but are unclear whether they actually improve employee H&P
- Organization measured against the H&P Scorecard can considerably improve overall health

S@W Highlights – United States

- Depression and stress have greatest correlation with higher health care costs, lost time and work impairment
- Productivity losses related to personal and family health problems cost U.S. employers \$1,685 PEPY or **\$225.8 billion** annually
- H&P cost trends outpace inflation and account for more than 20% of company payrolls

Impact of H&P Programs on Business Performance

- Companies with the most effective H&P programs had a 75% TRS from 2004 through 2006
 - Also had 16% higher market value and 20% more revenue per employee

		Average market premium*	3-year TRS (2004-2006)	Revenue per employee (thousands \$)
H&P effectiveness	High	42%	75%	\$505
	Medium	17%	58%	\$450
	Low	10%	48%	\$412

TRS: Total returns to shareholders - change in stock price plus dividends (2004-2006 ÷ 2004)

Market premium (or Tobin's Q): Ratio of the market value of equity plus book value of debt divided by the book value of assets

Productivity proxy: Revenue per employee with adjustments

Source: 2007/2008 Staying@Work (US)

The Link Between Health and Productivity

- Profitable employers:
 - View **human capital** as a top priority
 - Believe there is a need to **differentiate, attract and retain** high value employees
 - Have adopted **total rewards** as an employer of choice feature
 - Acknowledge that **significant stress** is felt in the workplace
 - Recognize the performance return in “connecting the dots” of **HR policies and health programs to business outcomes**

Effective Employees

Watson Wyatt's Four-Factor Model

Motivated to help the organization succeed

Have the training, resources, tools, and equipment they need to do their jobs

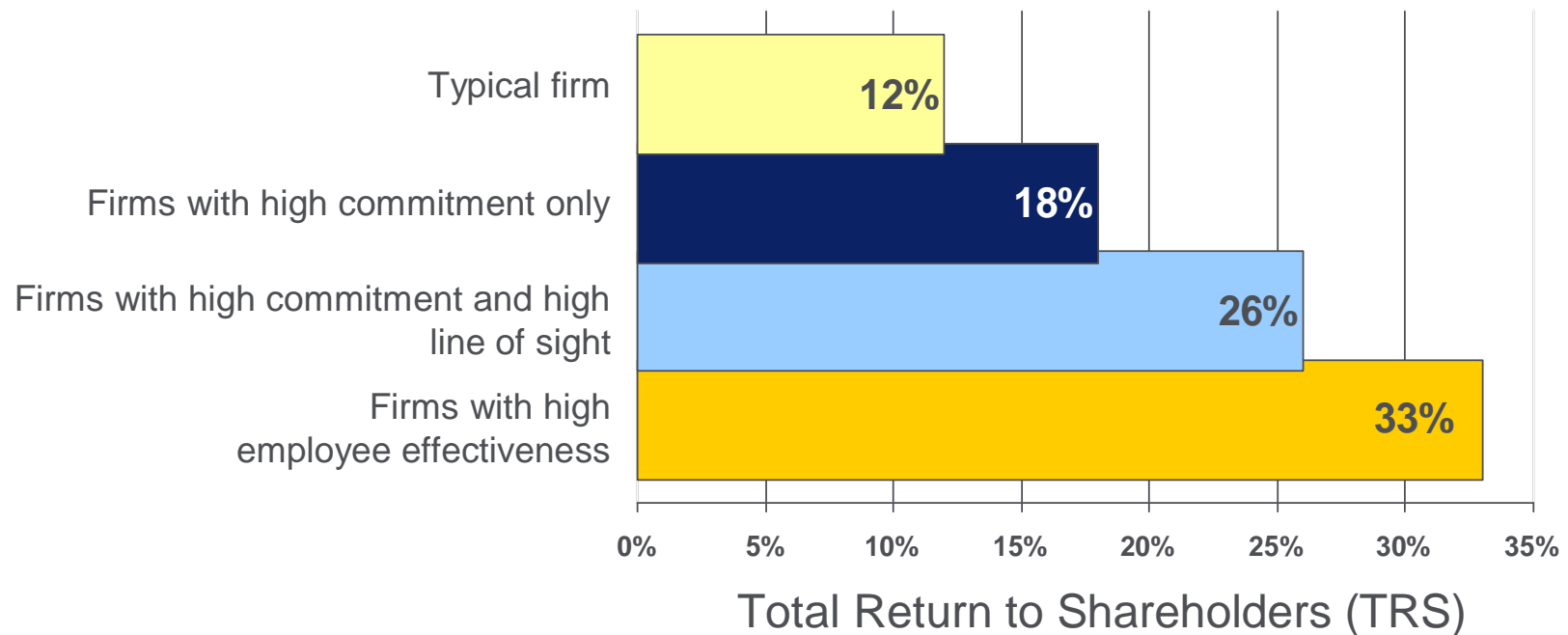


Know what to do to make the organization successful

Understand and live up to their organization's values and expect the same from others

Employee Effectiveness and Business Performance

Companies with employees that are high on all four factors have TRS that are almost **3x** the typical* firm



*Typical firm is based on the average of all companies represented in WorkUSA 2006/2007

What Companies are starting to do differently and better....

- Targeting and measuring health and productivity business metrics
- Deeper dive diagnosis of their HR and Health programs
- Calculating the cost of “doing nothing”
- Prioritizing cost of interventions to best bets for successful business outcomes (*efficient frontier*).
- Scorecard results to plan and measure future improvements.

Linking organizational health with workforce health



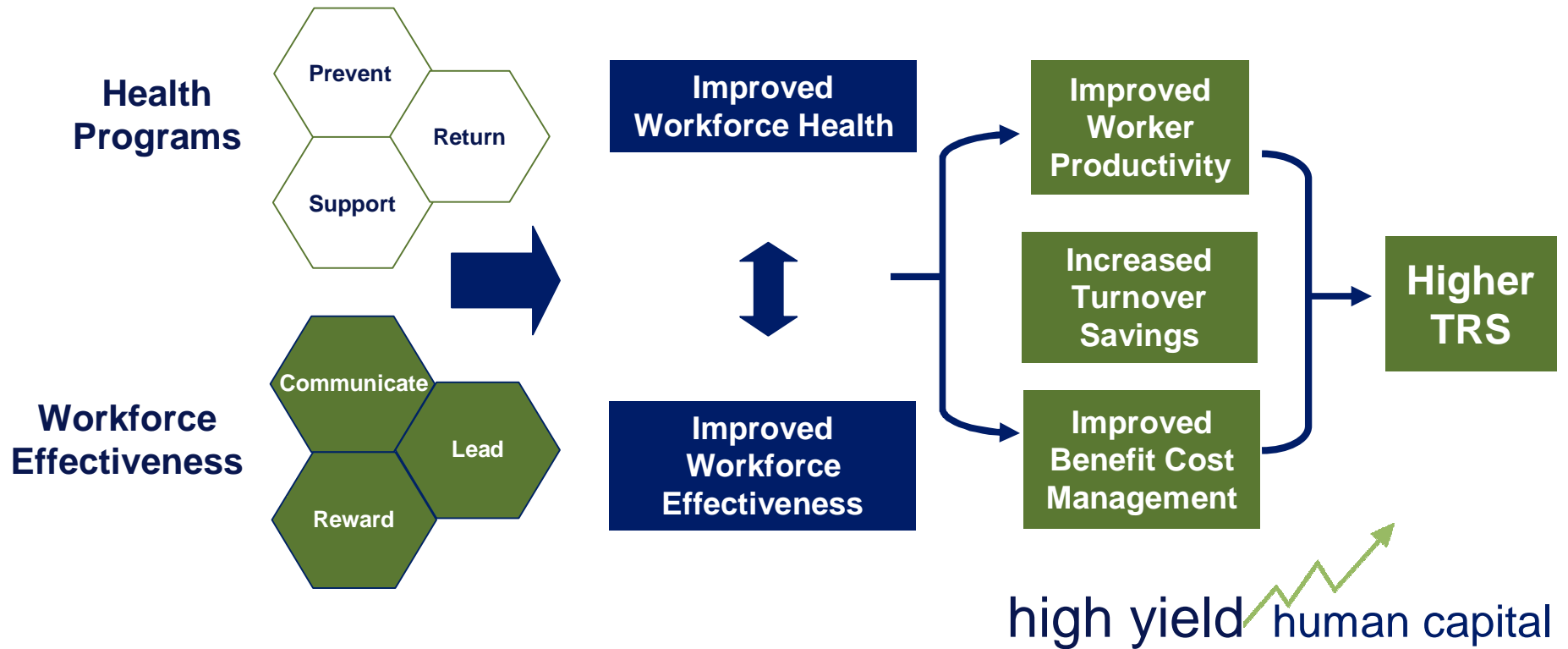
Workforce Health & Effectiveness Pathway

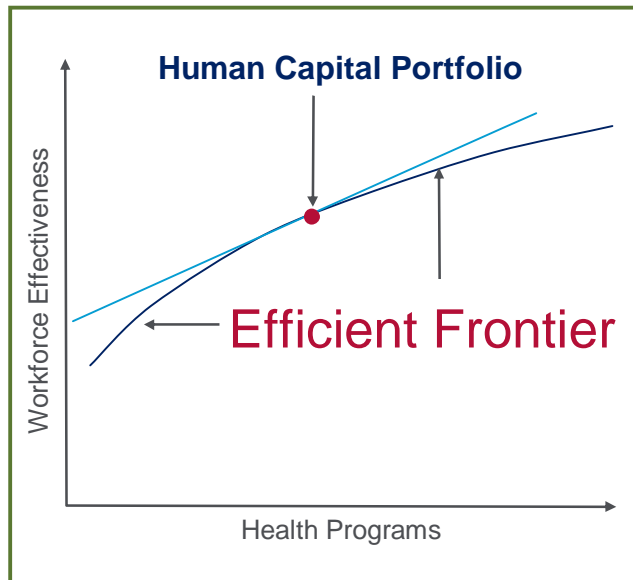


Practices and Programs

Healthy and Effective Workforce

Human Capital and Financial Outcomes





Human Capital Strategies work much like a traditional investment portfolio strategy:

- Where are **you** relative to high performers?
- What are your **best business opportunities**?
- What is an acceptable **ROI or EBITDA**?

Opportunity Cost Modeling

To successfully impact the areas of concern and achieve short-term productivity objectives, organizations must first:

- Determine the “*cost of doing nothing*”
- Determine cost impact of achieving a desired state.
- Opportunity Cost determined by closing the gap in the drivers of:
 - workforce effectiveness
 - Health programs effectiveness

Pathfinder: identifying the right opportunities to improve workforce performance

We score the 6 Pillars of Health Programs and Employee Effectiveness



The “factors” of the 6 Pillars are measured and weighted before a final assessment is scored.

(bold are high return potential for this example)

Prevent

- Health & Safety
- Social/Psychological
- Health Promotion/Wellness
- Presenteeism Management

Return

- Absence Management
- Disability Management
- Disease Management

Support

- Benefit Program Management
- Communication
- Financial Management
- Vendor Management

Reward

- **Performance Management**
- **Hiring & Advancement**

Lead

- **Customer Focus**
- **Innovation**
- **Respectful Treatment**

Communicate

- Communication
- Supervision

Your Investment Guide



Pathway to success... links weighted scores to best opportunities

LOW

MID-RANGE

HIGH

Sample

	Category	Your Score	IMPACT			PRIORITY		
			Impact on Turnover	Impact on Program Cost	Impact on Productivity	Timing	Cost	Return
HEALTH Programs	Prevent	Low	✓	✓	✓	Long term	\$150 000	\$2.5M 5:1 ROI
	Support	Mid-Range	✓	✓	✓	Mid term	\$250 000	
	Return	Low	✓	✓	✓	Short term	\$60 000	
Workforce Effectiveness	Communicate	Mid-Range	✓	✓	✓	Short term	\$150 000	
	Reward	Low	✓	✓	✓	Long term	\$250 000	
	Lead	Mid-Range	✓	✓	✓	Mid term	\$60 000	

Moving Forward: Addressing and Improving H&P

- To successfully address areas of concern and achieve business and H&P outcomes, companies must first:
 - Evaluate the current state of drivers of organizational health practices and workforce health practices
 - Determine the *cost of doing nothing*
 - Determine the cost impact of achieving a desired state
 - Evaluate the opportunity cost determined by closing the gap between the present and desired state

Targeted H&P Investments Will...

Reduce stress

Reduce absence and disability costs

Reduce turnover and replacement costs

Improve employee effectiveness

Improve attraction and retention

Improve business outcomes

Extending EAP's reach

- Become an EEAP services provider(*Employer* and *Employee Assistance Program*).
- Think outside your comfort space and into new market space
- Make Resilience Training part of your services portfolio
- Understand that the employment deal will look much different after the recession and EAP firms may have to recalibrate their services to compete
- Establish alliances or partnerships to grow market share....ie: Insurance industry; specialty firms like Compsych, and Elibay; etc.

Questions and Contact Information

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