

Employee Wellbeing

Article 5

Paying the price for wellbeing

Continuing our series on wellbeing, **Dr Bridget Juniper** takes a look at the costs associated with employee wellbeing as an investment and the price employers could pay should they choose not to invest.

In this series of articles on employee wellbeing, we have explored various elements that relate to the concept. This article considers the costs of employee wellbeing to employers, both in terms of budget expended on efforts to enhance wellness and the price borne by the employer where staff wellbeing is lacking.

First, we will look at proactive spending that can be aligned to wellbeing. Companies that believe the one or two lines in their annual budgets that reference “wellness programmes” and “occupational health” are being rather naive.

In previous articles, we explored what we mean by the term “employee wellbeing”. Building on earlier research, organisations are encouraged to subscribe to the following meaning: “That part of an employee’s overall wellbeing that they perceive to be determined primarily by work and can be influenced by workplace interventions.”

Accounting for costs

This description gives rise to a variety of different dimensions, for example, advancement opportunities, impact on home life and relationships at work, as well as the more conventional areas such as physical and mental health. If a specific employee population, for example call centre staff, consider their wellbeing to be impaired because of poor workplace facilities, then specific efforts to improve these workplace conditions should be considered an employee wellbeing cost.

Obviously, every employee population is different in terms of its demographics and the roles that individuals are required to perform. It is therefore impossible to provide a finite list of all possible budget items that relate to employee wellbeing. However, in table 2 (p.26) I have suggested the main ones that we come across regularly in our work with clients.

Table 2 provides food for thought and identifies a number of activities that might not be ordinarily assumed to reside in the employee wellbeing domain. For any organisation that wishes to



TABLE 1: ASSOCIATED COSTS

Type of cost	Description
Direct costs	Salary, national insurance contribution, pension contribution, bonuses, healthcare benefits and other benefits, eg car scheme
Indirect costs	Supply staff
Absence management costs	Arranging and supervising cover, health referrals, capability hearings, tracking absence, return-to-work interviews

add up their employee wellbeing costs based on these headings, it is likely to be surprised by the large figure at which they arrive.

However, in our experience, this is a comprehensive list of headings that are all fully valid considerations for an organisation wishing to get a realistic grip on employee wellbeing expenditure.

Following on from this theme are the potential costs incurred by



an employer where employee wellbeing levels are low. Again, these can be alarming if the true numbers are revealed.

The main cost conventionally associated with ill health is sickness absence. We would contend that costs of presenteeism and attrition should also be factored into this equation. We will consider each of these in turn.

Reducing absence levels is an increasingly hot topic in boardrooms. What is surprising is the paltry number of companies that keep an accurate record of attendance. More shocking is the way in which they put a number on the cost. According to the CBI, around 25% of companies track sickness absence and most of these attribute a cost by simply looking at the direct salary costs of people who are off sick. While a few do look at other, wider employment costs, these practices are rare.

Bill of health

A report on costing sickness absence by Bevan and Hayday (2001) provides a much more comprehensive guide to calculating the true figures. Their study shows that costs are likely to range from anywhere between 2% and 16% of annual salary costs, which is notably higher than most estimates. The authors arrive at this by factoring in other costs besides salary. Helpfully, Bevan and Hayday categorise these into three sections

TABLE 2: BUDGET ITEMS THAT RELATE TO WELLBEING

Budget line	Link to employee wellbeing	Possible activities
Benefits	Health generally	Flexible health benefits Childcare vouchers Incentive programmes Private medical insurances
Engagement	Wellbeing is the best predictor of staff engagement	Annual engagement survey activity Management training
Job characteristics	Impact on health generally Workload Role ambiguity	Organisational change Job redesign Specific aspects (eg uniform and equipment review)
Occupational health	Physical and mental health status	On-site health team and facilities Employee assistance programmes Health checks and screening Immunisations Nurse line Absence management programme Health-risk appraisals Access to health professionals Management training
Opt-in wellness programmes	Health education, promotion and prevention	Cycle-to-work schemes Fitness club memberships/subsidies Healthy lifestyle programmes (eg nutrition, smoking cessation and stress management) Health fairs Web portal
Physical workspace and facilities	Physical comfort and convenience	Lighting Thermal conditions Health and safety (hazards, slips and trips) Staff canteen Ergonomics (leg seating)
Social activities	Relationships with colleagues and managers	Get-togethers Staff parties Team-building Sports teams, etc
Training and development	Opportunities for progression	Skills training (hard and soft) Management training to encourage individuals to progress Performance appraisals
Working hours and patterns	Impact of work on home life	Flexible working Homeworking Rostering systems Holiday trading

(see table 1, p.25) and show that a financial services company, for example, incurs sickness absence costs of £1,600 per employee – rather than the more traditional average estimates of around £670 reported by the Chartered Institute of Personnel and Development (CIPD) in 2011, for example.

Next is presenteeism (or sickness presence). This topic is relatively new to the HR agenda and, as a consequence, the research on prevalence and cost is fairly weak. Best guesses by The Work Foundation (2010) suggest that presenteeism could equal or account for a sobering 1.5 times more working time lost to sickness absence.

And finally – what is the cost of attrition? While it is inaccurate to claim that employee wellbeing is wholly responsible for people

quitting voluntarily, evidence shows a striking correlation between people's general health and happiness at work and staying with their existing organisation. The major categories of spend are:

- administration of the resignation;
- recruitment and selection costs, including administration;
- covering the post in the period in which there is a vacancy; and
- induction training that may be required for the new employee.

Based on these, People First Solutions estimates that attrition costs companies 18 months' salary for each senior manager or professional who leaves, and six months' pay for each hourly paid employee who leaves.

So, what can we glean from this? Generally speaking, organisations woefully underestimate their spend on employee wellbeing

activity. They also miscalculate the costs attached to the financial penalties associated with impaired employee wellbeing.

Based on these observations, it seems sensible for cash-strapped employers to revisit their numbers and review exactly how they can squeeze more return out of the former in order to tackle the latter effectively. **OH**

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References

- Bevan S, Hayday S (2011). "Costing sickness absence in the UK". IES.
- CIPD (2011). Absence management survey.
- Bevan S (2010). "The business case for employees' health and wellbeing". The Work Foundation.