

## Creating a Wellness Culture through Human Resources

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### Abstract

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Healthcare costs in the United States have been increasing in recent years. The increase in healthcare costs and the lack of affordable health insurance affects many individuals and organizations. Human resources (HR) departments have started to take strategic steps to lessen the effect of high healthcare costs to the organization. Creating a culture of wellness at work and implementing workplace wellness programs, allows HR to support individual efforts towards a healthy lifestyle. By proving why organizations should invest in their most valuable asset, their employees, the human resources department can strengthen their position as a strategic partner. This paper addresses the outcomes from successful workplace wellness programs. In order for HR to meet departmental and organizational goals from wellness programs, they must gain support from upper management, encourage employees to participate, mold the organization's culture, and measure the outcomes of the wellness initiatives; doing so will prove wellness programs are not an expense, instead they are an investment in human capital in order to create a return on investment (ROI) and a return on value (ROV) for the organization. Investing in human capital can position the company above others in the marketplace and helps insure the long term stability and success of an organization.

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### Human Resources Capital

Over the past three decades HR has increasingly become a valuable asset and partner to organizations by aligning its goals with the firm's overall strategic business goals.

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The HR department is no longer just a “personnel department” that deals with the paper work of hiring people and payroll. HR is now transforming into a strategic function that contributes to the organization’s bottom line (Phillips & Phillips, 2009; Marschke and Mujtaba, 2011). As organizations begin to understand that human capital is their most important asset, HR has the opportunity to prove they are a strategic business partner through the effective management of the organization’s human capital. Human capital is an important and essential asset which contributes to development and growth of individuals and their organizations, in similar ways as to physical assets such as machines and money. It is well documented that the collective attitudes, skills and abilities of people contribute to organizational performance and productivity which are critical for survival in today’s competitive economy. Any expenditure in training, development, health, and support should be seen as an investment, not just an expense (Brocaglia, 2011; Mujtaba and Cavico, 2013).

Human capital, physically and spiritually, can create a competitive advantage for organizations and also both short and long-term return on their investment (Marschke and Mujtaba, 2007). Strategic efforts related to the effective management of human capital over the past decade by HR have included, but are not limited to, effective recruiting, retention efforts, training programs, employee leadership development initiatives, and coaching and mentoring programs. HR is now implementing and managing health and wellness programs in the workplace as yet another strategic effort to contribute to the financial success and long term sustainability of an organization. In 2005, the United States spent \$2 trillion on healthcare, at \$6,683 per person (Anonymous, 2007). As U.S. healthcare costs begin to rise, rising costs to employers and employees is inevitable. According to an annual Health Care Cost Survey completed by Towers Perrin’s, the average corporate health benefit per employee in 2004 was \$7,284 and rose to \$9,660 per employee in 2009, this was an increase of 75 percent over five years. Then in a recent survey completed by Towers Watson, “employer health care costs for active employees are projected to rise 8.2% in 2011, to an average annual cost of \$10,730 per employee” (Employee Benefit News, 2010, para. 1).

By implementing health and wellness programs in the workplace organizations can combat the rising healthcare costs (Marschke and Mujtaba, 2011). Health and wellness programs have proven to improve the health of employees who participate, the improved health of employees then lowers the organization’s healthcare costs.

Implementation can also benefit employers by reducing absenteeism, motivating employees, and creating a more productive work environment (Baicker, Cutler, & Song, 2010). HR metrics must be used to quantify the strategic efforts of wellness in the workplace and show how health and wellness programs create a ROI of human capital.

## **Health and Wellness**

Wellness is a proactive and preventative approach by individuals in relation to their physical and emotional well-being. Wellness is closely linked to an individual's lifestyle and the choices he/she would make. Eating right, proper weight control, and physical activity, are just some things that play a role in wellness (WellnessProposals, 2009). Employers have started to see a return on investment (ROI) and a return on value (ROV) from the wellness of employees. Therefore, organizations have started to invest in the wellness of their employees through workplace health and wellness programs. Health and wellness programs are designed to create a healthier employee and drive down healthcare costs through wellness efforts that reduce disease and encourage a healthy lifestyle (Miller, 2009).

According to the Center for Disease Control and Prevention (2010), health risk factors that were prevalent in the United States in 2010 were alcohol consumption, illegal drug use, tobacco use, high cholesterol, poor diet, obesity, and high blood pressure. Other health risks in the United States are lack of exercise, asthma, and diabetes (Gurchiek, 2009). In 2007, Kronos Optimal Health Co. screened approximately 52,000 participants for health risk factors, the study found that 61.45 percent of men and women under the age of 40, and 69.7 percent age 40 and over, were overweight or obese. Data showed that 24.55 percent of men and women under 40 and 31.85 percent age 40 and over, were at risk for high blood pressure. Kronos also found that the participants, both men and women, have high risk factors that can lead to heart attacks, strokes and diabetes (Miller, 2007).

When caught early, individuals can change their lifestyle to reduce the impact or prevent disease and other health risk factors that impact their personal and work life. Poor wellness has been linked to high absenteeism, low productivity, workplace inefficiency, employee turnover, and high healthcare costs (Miller, 2007).

Consequently, employers want to support the wellness of their employees through health and wellness programs in the workplace.

## **Programs and Components**

The Alliance for Wellness ROI, Inc. (2005) was founded in 2005 and their mission is "the standardization of the measurement of the return-on-investment ("ROI") on corporate wellness programs and the standardization of wellness industry terminology and definitions" (Alliance for Wellness ROI, Inc., 2005, p.3). A Wellness Program identifies a medical condition, which can then be treated, encourages healthy lifestyles, assists work/life balance, and consists of one or more of the following wellness components: disease management, employee assistance programs (EAP), fitness programs, health risk appraisal, onsite medical program, personal wellness profile, screenings/preventive care, smoking cessation, telephonic wellness services, weight management, wellness education/communication, or work/life balance (Alliance for Wellness ROI, Inc., 2008). Wellness programs have become more prevalent in the workplace over the past years. In one study published by Baicker, Cutler, and Song, in 2009, from 2006 to 2008, found that the percent of organizations offering wellness programs in the workplace increased by 58 percent. Then in 2008, Alliance completed a survey of roughly 250,000 employees and 700,000 plan participants from large corporations and found that a large number of employers offered a number of wellness components (Alliance, 2008).

According to Alliance (2008) components of a Work/Life Balance program include legal, financial, concierge, subsidy for onsite childcare, subsidy for offsite child care, and lactation support. About 90 percent of respondents offered at least one work/life balance component, the most prevalent were legal services at 71 percent, lactation support at 59 percent and financial services at 53 percent. Despite over 90 percent of respondents offering work/life balance programs, participation by employees was less than 10 percent, with the exception of child care which was approximately 40 percent.

The components of EAP are call lines, stress management programs, and critical incident services. 83 percent of survey respondents offered EAP. Of the 83 percent of respondents that offered EAP, 100 percent offered a call line, 53 percent offered stress management programs, and 80 percent offered critical incident services. Disease Management programs consist of disease management care and self-help for participants with chronic illness.

72 percent of survey respondents offered a disease management wellness program. 100 percent of those respondents offered disease management care for participants with chronic illness and 46 percent offered self-help for participants with chronic illness. Health Risk Appraisal (HRA) is a tool used to provide individuals with an evaluation of their health risks and quality of life. 94 percent of respondents offered a HRA and almost 55 percent of the respondents that offered a HRA offered incentives for participation. The incentives included reduced medical plan contributions and contributions added to the employee's flexible spending account by the employer. The components of Telephonic Wellness Services include nurseline and telephone coaching.

The nurseline was the most prevalent telephonic wellness program component, 92 percent of the 68 percent of respondents that offered a telephonic wellness service offered a nurseline. Onsite Medical Programs consist of an onsite nurse, onsite physician, and onsite safety. Of the responding companies that offered onsite medical programs, 100 percent offered onsite safety programs and 80 percent offered an onsite nurse. The components of Weight Management Programs include coverage or discounts for weight loss, weight loss surgery, weight loss medications, nutritional counseling, healthy cafeteria choices, and financial incentives for weight loss. Of the responding companies 92 percent offered healthy cafeteria choices, 85 percent offered coverage or discounts for weight loss, and 69 percent offered weight loss surgery. Smoking Cessation programs consists of rewards or incentives for smoking cessation, rewards or incentives for continued smoking abstinence, benefits through medical plan, discounts for medications, and self-help. Of the responding companies that offered a smoking cessation program, 69 percent offered discounts for smoking cessation medications and self-help programs. Wellness Education and Communication program components are print communications, online communications, audio/visual communications, self-care guide, and pre-natal programs. Print and online communications were the most popular types of communication among respondents, 93 percent offered online communications and 87 percent offered print communications. Preventive Care components consist of physicals as part of medical plan and physicals outside of medical plan.

Of the respondents that offered preventive care components, 80 percent of respondent offered physicals as part of the medical plan and 87 percent offered physicals outside of the medical plan.

Fitness Program components consist of onsite fitness, fitness club subsidy, and fitness club discounts. Of the respondents that offered fitness program components, 87 percent offered fitness club discounts and 67 percent offered onsite fitness.

It is important that HR is now incorporating health and wellness programs into the workplace as a strategic effort. Wellness education and wellness efforts in the workplace have been found to be very successful in the prevention of chronic disease and to the long term sustainability of an organization (World Economic Forum, n.d.).

### **Creating a Culture of Wellness**

With compelling data showing how health and wellness in the workplace affects an organization's bottom line, HR can strategically develop a wellness philosophy and create a culture of wellness in the workplace. HR should develop a wellness philosophy aligned with the organization's mission, vision, and long term goals, and linked to the organization's business strategy. HR must also create a culture of wellness. There must be top-down support, the CEO must be involved, and the benefits of a health and wellness program must be clearly communicated. (Neftzger & Walker, 2009).

HR can create a culture of wellness in the workplace by aligning the goals of the wellness program with the overall company culture, implementing policies that support employee wellness, communicating the expectations of the program, motivating employees to participate, benchmarking the program, rewarding participation, and measuring the effectiveness of the program (Fitezenz & Davison, 2001). The employees must be educated about health and wellness and accept a wellness program in the workplace. HR must work on creating cohesiveness and positive norms around health and wellness. It is important that employees see that the organization is willing to invest in their health and wellness (Neftzger & Walker, 2009).

HR must develop organizational policies that support a healthy lifestyle. Such policies may include the prohibiting of smoking in the workplace and allowed time for fitness during the day. The organization's benefits must support the policies in place (Neftzger & Walker, 2009).

For example, if the organization prohibits smoking, their benefits package should include a smoking cessation program to help employees to quit smoking, and if the organization allows time for fitness during the day, the organization's benefits should offer an on-site fitness center (Neftzger & Walker, 2009).

In his article titled "*Creating a Culture of Workplace Health and Wellness*" (Gereghy, 2013), Matt Gereghy suggests that there are five key elements to moving towards a culture of workplace and wellness:

1. *Education* – HR facilitates ongoing learning and safety sessions to cover an array of topics, such as , nutrition, work-life balance, sleep, stress management, conflict management;
2. *Activities* – employer providing employees with opportunities to participate in physical activities, where HR assists by encouraging employees to actively engage in these activities;
3. *Time away from work* – it is important that employees understand that taking time off doesn't label them as slackers rather reduces burnouts and their ability to contribute to the organization; therefore it is important that HR intervenes and ensures that employees understand that taking time away from work is necessary and healthy;
4. *Incentives*–in order to aid employees prioritize their health, HR should consider programs that integrate health and wellness goals into employees' yearly performance goals, and any progress in that should be rewarded;
5. *Positive examples* – employees at all levels need to participate in the health and wellness programs; leaders most of all should be the first integrating physical activity in their daily routine, attend and participate in the educational sessions, congratulate the employees adopting a healthier lifestyle and most of all be part of the culture (Gereghy, 2013).

To further create a culture of wellness, posters should be displayed throughout the organization, brochures should be widely available, the organization's intranet should have all pertinent information on health and wellness available to all employees, the company newsletters should include a health and wellness section, and the organization should have a healthy-events calendar that includes such events as conferences and seminars on health and wellness.

The organization can also invest in wellness days at work such as hosting a health fair, sponsoring outside events such as a 5k run, and creating relationships with vendors that will support employee wellness such as a vendor that teaches a healthy cooking class (Neftzger & Walker, 2009).

Globally more and more organizations have begun to create a culture of wellness in the workplace and implement wellness programs as a way to offset rising healthcare costs. Most prevalent in the United States, wellness programs have been implemented in 86 percent of employers surveyed, in a report by Gurchiek (2007). Outside the U.S., 38 percent of multinational employers in Europe, 33 percent of multinational employers in Asia, 33 percent of multinational employers in Australia, 32 percent of multinational employers in Central and South America, and 17 percent of multinational employers in Africa and the Middle East offer a wellness program to their employees. Another study conducted by Gurchiek (2009) showed the prevalence of wellness programs globally. Findings showed that 77 percent of respondents offered wellness programs in North America, and "Among employers with workers in multiple countries, 41 percent said their wellness strategy was global. That's up from 34 percent in 2008" (Gurchiek, para. 10).

## **Measuring Wellness**

Gurchiek's (2009) results of a global survey showed that only 22 percent of respondents that offered a workplace wellness program measured its financial impact. Wellness programs must be measured, to show their effect on the organization. In order for HR to measure wellness programs and present findings to upper management, the measures used must be valid and related to research associated with wellness, healthcare, or chronic illness (Gurchiek, 2009). Measurements can then be used for comparative analysis and benchmarking. The information that HR gathers through such tools as health risk assessments (HRA) has significance in creating a baseline of employee wellness. This baseline can be then used to implement interventions to improve employee health. Measurement must not only lead to analysis but also to actions. Actions include wellness interventions aligned with HR goals (Anonymous, 2005). Successful wellness programs can lead to lasting benefits for both the individual and the organization. In order to quantify the benefits of wellness in the workplace, HR must measure wellness interventions to show the impact on the organization and to insure success of the program (Anonymous, 2005).



One of the keys to culture of health and wellness (Gereghty, 2013) is replaced by some organizations, as practiced by Johnson & Johnson, is measuring the actual progress in adopting the culture of health and wellness. In the Integrated Care Summit, Johnson & Johnson, whose credo is “the health of the employee is inseparable from the health of the Corporation,” provided metrics that support the organization’s global health goals and objectives. The organization’s strategy is to transform employees’ health from that of being an accelerating burden on an organization to a competitive advantage (Fikry Isaac & Natasha Nodsle, 2010).

### **Return on Investment (ROI)**

Organizations invest substantially in health and wellness programs. “Almost 40 percent of large companies in the United States spend more than \$200,000 annually on wellness programs, and 20 percent spend at least \$1 million” (Wells, 2008, para.7). In order to prove that health and wellness programs in the workplace are a strategic effort, HR must show that they create a ROI. When a ROI can be calculated, health and wellness programs are considered an investment and not an organizational expense.

From 2007 to 2009, organizations increased measuring the ROI of wellness programs (Miller, 2009). In 2008, Highmark Inc., a health insurer with 12,000 employees, published a study on the ROI from their wellness program in the *Journal of Occupational and Environmental Medicine*. The study compared medical claims from employees with similar health risks who participated in the wellness program to those who did not participate in the wellness program, from 2001-2005 and consisted of 1,900 employees. Over the four year study, the healthcare cost for employees who participated in the wellness program decreased by \$176 per employee, saving the organization \$1.3 million. The total expense for the wellness program was \$808,958.00. The ROI for Highmark’s wellness program was \$1.65 for every dollar spent on a wellness incentive (Wells, 2008). This study showed that a successful workplace wellness program creates both a healthier employee and ROI for the organization.

Other studies also show a ROI for wellness programs, Baicker, Cutler and Song (2010) completed a meta-analysis of costs and savings associated with wellness programs.

The study reviewed the method of delivery and focus of intervention, of wellness programs in several well published cases. Methods of interventions are the wellness program components that are implemented in an organization and the method of delivery is how the organization carries out an intervention. The most common method of delivery was HRA which was used in 80 percent of the studies reviewed, followed by self-help education materials used in 42 percent of the studies reviewed. The most common method of intervention in the studies reviewed was weight loss and fitness centers at 66 percent, followed by a smoking cessation program used in 50 percent of cases. The study then looked at the impact of programs on medical spending over an average of three years. An average of 3,000 employees who participated in wellness programs were compared to an average of 4,500 employees who did not participate in a wellness program. Data was then collected pre and post wellness intervention and a ROI for each study was completed. Wellness interventions produced an average savings of \$358 per employee, per year, due to a reduction in healthcare costs. The average ROI was \$3.27 per every dollar spent on a wellness intervention.

Another study completed by Yen, Schultz, Schaefer, Bloomberg, & Edington, published in 2010, showed the ROI of a wellness program at a Midwest utility company from 1999 to 2007. Time period analysis and historical trend analysis were used to show the ROI. The time-period analysis of ROI calculated the ROI over four time-period increments, over nine years. Historical trend analysis of ROI calculated the organizations savings for participants of a wellness program compared to individuals who did not participate in the wellness program. The average ROI over nine years was \$1.57 per every dollar spent with an annual saving of \$180 per employee per year, from employees who participated in the wellness program.

### **Healthcare Costs**

Wellness programs not only create an ROI but also lower overall organizational healthcare costs through increased productivity and less stress in the workplace (Nguyen and Mujtaba, 2011; Mujtaba, Knapp, Baker, and Ahmed, 2009). Miller (2010) reviewed a study published in the *American Journal of Health Promotion* in 2010 on incentive-based wellness programs and lower healthcare costs. The study reviewed the savings to the organization from individuals who participated in the wellness program. The study examined health claims from 948,974 participants from Discovery Health, a large private insurer in South Africa, over a period of one year.

Hospitalization costs were compared from individuals who did not participate in wellness activities to those who did participated in wellness activities. Wellness activities consisted of fitness-related activities, assessments and screening, healthy choices, and health knowledge. Participants in wellness activities were grouped by low and high engagement levels; 30.9 percent of participants were considered low engagement and 9.5 percent of participants were considered high engagement; highly engaged individuals participated in numerous wellness activities. The study then looked at hospitalization costs of the three different groups and found that the cost per member decreased as the engagement level increased. Highly engaged individuals had “lower annual medical costs, admission rates and cost per admission than any of the other groups” (Miller, 2010, para.6). The study also showed that 15.09 percent had lower healthcare costs related to cancer and 7.17 percent had lower healthcare costs related to cardiovascular disease.

### **Enhancing Productivity**

Research has shown that employees who participate in wellness programs contribute to the productivity of an organization. Miller (2008) reviewed research by PricewaterhouseCoopers (PwC), a large accounting and business consultancy firm. PwC found that workers with chronic diseases contributed to lost productivity in the workplace; “productivity losses associated with workers who have chronic diseases are as much as 400 percent more than the cost of treating chronic diseases” (Miller, 2008, para. 5). Chronic disease is prevalent throughout the United States and is on the rise globally. It has been shown that chronic diseases can be prevented or the effects lessened through wellness programs in the workplace. HR must promote wellness programs in the workplace as a strategic effort to reduce the negative effects of chronic disease on the organization’s bottom line. The PwC study, reviewed by Miller (2008) revealed that approximately 40 percent of lost work time was contributed to individuals with chronic disease. The research also stated that other studies have shown that the investment in the wellness of their employees is less than the costs in lost productivity due to unhealthy employees (Miller, 2008).

Reduced productivity is also a result of employee stress generated by a variety of workplace stressors (Mujtaba and Cavico, 2014; Mujtaba, Lara, King, Johnson, and Mahanna, 2010). For blue-collar and white-collar settings stress happens when the workload is not matched to employees’ capacity.

Other stressors identified by the Institute for Occupational Health and Safety (NIOSH) career concerns, role conflicts, interpersonal relationships and perceived job control (Smith, Makrides, Lebel, Allt, & Montgomerie, 2012).

Another study reviewed by Miller (2009) on productivity loss and poor health, showed the impact of employee wellness on an organization's bottom line. Data was collected from 772,750 employees across five industries. Eight health risks were identified and the effect of these health risks on work performance was analyzed. The study found that individuals with all eight health risks had a 20.6 percent higher productivity loss than individuals with no health risks and that:

An employee with low health risks experienced an average of \$1,472 per year in lost productivity, while an employee with three health risks averaged \$5,952 in lost productivity per year. The researchers estimate that if 100 people with three health risks were to eliminate just one health risk, this would translate to productivity gains worth \$149,400 for the employer (Miller, 2009, para. 8).

The study also found that individuals that cited mental health as a health risk, lost 2.4 weeks of productivity per year, individuals that cited stress as a health risk, lost 5.7 weeks of productivity per year, and employees that cited continued back pain as a health risk were 10.9 percent less productive than individuals that were not at risk for back pain and lost 5.7 weeks of productivity per year.

Overall, employers who are concerned about the health of their employees have found that work-based interventions can be effective, and that occupational health programs can result in increased productivity as well as reduced organizational costs resulting from illness (Smith, Makrides, Lebel, Allt, & Montgomerie, 2012).

### **Return on Value (ROV)**

As wellness programs gain popularity in the workplace, benefits of implementation are becoming clearer. Wellness programs are not only creating a ROI, but are creating a ROV (Miller, 2010). Value is a subjective concept and is therefore difficult to quantify and measure. Value must be determined by the organization. The idea of value creation from such intangible assets as human capital can use ROV to help analyze factors beyond ROI for successful health and wellness programs (Turbitt & Yesakova, 2008). There is an inherited ROV from health and wellness programs in the workplace.

Soft savings such as raising corporate health awareness, changing employee behavior, increased morale, increased employee satisfaction, reduced absenteeism, reduced turnover, reduced disability and workers compensation claims, and a good corporate image all create a ROV. A value on investment (VOI) can then be determined; VOI "is the total measure of benefits derived from soft benefits" (Turbitt&Yesakova, 2008, para. 20).VOI allows HR to show how intangible benefits affect the organization's bottom line.

## HR Metrics

HR can use absence rate, absence cost factor, healthcare costs per employee, turnover rate, and workers compensation (WC) metrics to analyze the effects of a wellness program on the organization's bottom line. The absence rate can be calculated by " $[(\# \text{ of days absent in month}) / (\text{Ave. } \# \text{ of employees during mo.}) \times (\# \text{ of workdays})] \times 100$ " (SHRM, 2007, para. 1). "The absence cost factor per employee can be calculated by  $[(\text{total work hours lost for all reasons except holidays and vacations} \times \text{total monthly compensation for all staff} \times 0.35 \text{ for cost of employee benefits} \div (\text{work hours performed})) + (\text{management hours lost because of employee absence based on sampling to estimate average hours per day spent dealing with problems resulting from absence: production rescheduling, instructing replacements, counseling and disciplining absentees} \times \text{total monthly compensation for all managers} \times 0.35 \text{ for cost of manager benefits} \div (\text{work hours performed})) + \text{other cost, temporary help, overtime, production losses, downtime, quality problems}] \div \text{total employees}$ " (Fitez-enz& Davison, 2001, p. 257). Absence rate and absence cost factor can be used by HR to analyze the effectiveness of the wellness program and the effectiveness of the wellness culture in the workplace (SHRM, 2007).

The healthcare costs per employee can also be calculated to evaluate the effectiveness of the workplace wellness program. The following equation is used to calculate the healthcare costs per employee "Total cost of health care / Total Employees" (SHRM, 2007, para. 3).

High employee turnover negatively effects an organization. Wellness programs have been shown to aid in the retention of employees. The turnover rate can be calculated monthly or annually, to calculate the monthly turnover rate take "# of separations during mo.

÷ Avg. # of employees during mo. X 100" (SHRM, 2007, para.13). To calculate the yearly turnover rate take "# of employees exiting the job ÷ avg. actual # of employees during the period x 12 ÷ # of mos. in period" (SHRM, 2007, para.14). Calculating the turnover rate shows if turnover has increased or decreased over a specific period of time, and HR can then analyze if the wellness program had an effect on turnover (SHRM, 2007).

Wellness programs increase the health of employees and assist them in staying healthy; as a result, HR is starting to look at the impact of wellness programs on disability and WC claims (Cavico, Mujtaba, Muffler and Samuel, 2014). "The integration strategy is focusing on combining all disability data and health data vs. only disability and workers compensation" (Mattaliano & Hall, 2007, para.2). The cost of illness or injury related to disability or workers compensation has significant effect on an organization's productivity and efficiency. Industry surveys show that the cost of health claims and unscheduled employee absences, from disability, Family Medical Leave Act, and WC amounted to 129 percent of net income (Mattaliano & Hall, 2007). HR can strategically encourage employees to participate in wellness programs in the workplace to manage disability time off and workers compensation costs. Effective wellness programs cannot only reduce the costs associated with disability and workers compensation but also reduce medical costs.

HR can measure the cost to the organization from WC claims, by calculating workers compensation (WC) cost per employee, WC incident rate, and WC severity rate. WC cost per employee is calculated by taking the "Total WC cost for Year ÷ Average number of employees" (SHRM, 2007, para. 17). WC incident rate uses the following formula "(Number of injuries and/or illnesses per 100 FTE / Total hours worked by all employees during the calendar year) x 200,000. The "incident rate" is the number of injuries and/or illnesses per 100 full-time workers. 200,000 is the base for 100 full-time equivalent workers (working 40 hours per week, 50 weeks per year)" (SHRM, 2007, para. 18). The WC severity rate is calculated by taking "(The number of days away from work per 100 FTE / Total hours worked by all employees during the calendar year) x 200,000. The "severity rate" is the number of days away from work per 100 FTE. To calculate the severity rate, replace the number of injuries and/or illnesses per 100 FTE from the incident rate calculation with the number of days away from work per 100 FTE" (SHRM, 2007, para. 19). WC metrics can be used to analyze if creating a wellness culture in the workplace and employee participation in the workplace wellness program has an effect on WC cost per employee, WC incident rate, and WC severity rate.

## Motivational Incentives

By measuring and showing the multiple benefits of wellness in the workplace, including a ROI as high as \$3.27, HR must find ways to motivate employees to participate in workplace wellness programs. Using incentives to encourage participation is becoming a growing practice in organizations. In a survey completed by Gurchiek (2009), 56 percent of survey respondents offered financial incentives for completing health risks or lifestyle questionnaires and 43 percent offered financial incentives for employees who completed biometric health screenings.

Clark (2008) reviewed multiple studies on corporations using incentives to encourage employee participation in the organizations wellness program. One study that was reviewed, completed by ERISA and the National Association of Manufacturers and InCentOne, showed that 76 percent of 242 major U.S. manufacturing companies offered a health management program. Of the 76 percent that offered a health management program, two-thirds used incentives to encourage employee participation (Clark, 2008). The most common incentive used was a reduction in healthcare premium, with approximately 40 percent of organizations offering this incentive, followed by approximately 28 percent offering cash bonuses as an incentive, and approximately 22 percent offering merchandise as an incentive (Clark, 2008). The study goes on to review wellness initiatives at IBM. Since 2004, IBM has spent more than \$130 million on their wellness program and uses incentives to motivate employees to participate. For example, IBM gave employees, who are also parents', a cash incentive of \$150 for participating, for at least 12 weeks, in a program that encourages health and fitness at home. "IBM also has cash incentive plans to encourage employees to quit smoking, get active and lose weight with healthier diets" (Clark, 2008 p. 26). IBM offered U.S. employees a \$150 rebate per wellness program they participated in.

IBM is not alone in offering incentives for participation in workplace wellness programs, other surveys showed that 10.5 percent of U.S. employers offer employee incentives such as lower healthcare premiums, lower co-pays when they went to a doctor, cash contributions to health reimbursement arrangements, and gifts for participation in the organization's wellness program (Miller, 2007).

## Summary

By creating a culture of wellness in the workplace and encouraging employee participation in the organization's wellness program, HR can strategically influence the behavior of employees and help them to adopt a healthier lifestyle. Benefits of workplace wellness programs to the employee include weight loss, lower stress, and a lower risk of chronic disease. Employers also benefit from workplace wellness programs, benefits to the employer include enhanced increased employee retention, decreased rates of illness and injuries, reduced employee absenteeism, improved employee relations and morale, and increased productivity.

Implementing a successful wellness program and engaging employees to participate, can further HR's strategic position within the organization. Health and wellness programs are not an expense, they are an investment in the organization's human capital. Human capital is an organization's most valuable asset; human capital cannot only add value to the organization but also create a sustainable competitive advantage in the marketplace. HR must quantify their efforts through HR metrics and show that the strategic implementation of a wellness program creates a ROI and ROV for the organization. Measurements also allow for trends to be analyzed in healthcare costs per employee, absenteeism, turnover, and disability claims. Measurements prove how the wellness program is aligned with the organization's mission and vision and contribute to the overall financial success of the organization.

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