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global **view**

hr issues affecting your business

Introduction

These days most global employers are hard pressed to find any silver lining around the dark economic clouds hanging over much of the world. Yet one benefit that may emerge from all the rescue and restructuring operations being considered and implemented is a reemphasis on a long-term perspective.

This reemphasis could be good news for corporate-sponsored wellness programs. Why? Employers willing to invest in the health and productivity of their workers are among those most likely to see measurable and lasting benefits to their bottom line. They are also likely to emerge from the economic downturn with greater global competitiveness and a more motivated, loyal workforce.

Four articles in this edition of *Global View* assess the challenges and choices confronting wellness programs in four different environments: the United States, Hong Kong, The Netherlands and the United Kingdom. In part, these assessments draw on employer research from Buck Consultant's *WORKING WELL: A Global Survey of Health Promotion and Workplace Wellness Strategies* published in October 2008. (If your organization would like to participate in Buck's upcoming third annual global wellness survey, please visit www.bucksurveys.com/wellness or contact hrsurveys@buckconsultants.com.)

A fifth article in this edition describes significant changes to South Africa's retirement savings and health care systems that could arise from recent government proposals.

Contents

global topic

Wellness Programs “Coming of Age” in the United States By Barry Hall	3
--	---

country-specific topics

HONG KONG

Employee Wellness at Risk in Corporate Hong Kong By Audrey H.H. Tsui and Wolf Kirsten	9
---	---

THE NETHERLANDS

Employer-Sponsored Wellness Programs in The Netherlands: Is a Paradigm Shift Coming? By Rutger Verbeet	16
--	----

SOUTH AFRICA

South African Social Security — Time for a Change? By Joanna Legutko	20
--	----

UNITED KINGDOM

How Can a Wellness Strategy Help an Ailing UK Economy? By Adrian Norris	23
---	----

global topic

Wellness Programs “Coming of Age” in the United States

By Barry Hall

If current health trends in the U.S. population continue, the country will see dramatic increases in chronic health problems and early mortality due to preventable conditions such as diabetes and heart disease. At the same time, our employer-based health funding mechanism is stretched to the breaking point. Many employers recognize that their global competitiveness is in jeopardy unless sufficient steps are taken to curb rapidly escalating health care costs.

Within the category of health care “consumerism,” several strategies have demonstrated some ability to contain health care cost trends. When applied effectively, health care consumerism does not simply shift costs from employer to employee. It can help drive greater awareness and responsibility among plan participants for decisions involving lifestyle, health care consumption, and cost.

A key component of consumerism is workplace wellness programs. Although such programs are popular and growing in all parts of the world, they are most prevalent today in North America. In Buck’s 2008 *WORKING WELL: A Global Survey of Health Promotion and Workplace Wellness Strategies*, 82 percent of participating North American employers reported having wellness offerings, compared with 30 percent of respondents from other parts of the world.

This article examines the key drivers contributing to the tremendous recent growth of wellness programs in the United States, and the challenges employers face as the health and well-being of their employees becomes a strategic business issue.

Program Goals

On average, U.S. employers pay approximately 80 percent of the growing cost of health care for their workers and their workers' families. Since most non-U.S. employers do not bear such costs, global competitiveness concerns have put tremendous pressure on U.S. employers to reduce the cost of these benefits. As a result, the top goal of wellness initiatives among U.S. employers is reducing the financial burden of providing health benefits to employees.

As health benefit costs continue to increase, employers shift a greater share to employees. However, such cost shifting eventually reaches a point of diminishing returns. More and more employees are unable to shoulder the higher co-pays and deductibles for their health care. In contrast, wellness programs — with their capability to help prevent serious illness and thereby reduce the underlying costs for both employees and employers — are widely viewed by employers as key to long-term cost management.

Table 1 reports how Buck wellness survey respondents in the U.S. ranked the objectives of their wellness initiatives.

Table 1: Organizational Objectives Driving Wellness Initiatives – U.S. Employers

(Ranked from most to least important; Buck 2008 Global Wellness Survey)

1. Reducing health care costs
2. Improving productivity/presenteeism
3. Reducing employee absence
4. Improving workforce morale/engagement
5. Attracting and retaining employees
6. Furthering organizational values/mission
7. Improving workplace safety
8. Promoting corporate image or brand
9. Fulfilling social/community responsibility
10. Complying with legislation
11. Supplementing government-provided health care

What Is Workplace Wellness?

Workplace wellness programs (also called health promotion, health improvement, or disease prevention programs) are employer-sponsored initiatives that aim to improve the health and well-being of employees (and their families) and to enhance organizational performance and reduce costs. Wellness programs typically address specific behaviors and health risk factors such as poor nutrition, lack of physical activity, excessive stress, and smoking. These factors can lead to serious and expensive health problems and adversely impact workforce productivity.

These programs also seek to help employees and their families adopt healthier lifestyles. Educational efforts raise awareness, while incentives encourage prevention and enable behavioral change. As part of these initiatives, employers also often seek to foster a workplace environment and a culture that promote and support healthy living.

Finally, wellness programs, including disease management coaching support, can help reduce the incidence and severity of many already diagnosed chronic illnesses, such as asthma, diabetes, and heart disease. Employers often integrate disease management with their wellness initiatives to provide a continuum of healthy lifestyle support.

In addition, employers are increasingly positioning employee health and wellness as a central element of their employee value proposition, and even as a component of their organizational mission and/or corporate brand. The relevance of this positioning is intuitively obvious in certain industries, such as health care, pharmaceuticals, food manufacturers, and health clubs. However, it's clear that worker well-being and healthy performance are increasingly becoming a part of the core mission for many U.S. employers since survey respondents in *all* industries list these objectives as priorities.

Strategic Planning

Workplace wellness programs have been around for more than 30 years, but until recently, few employers attempted to manage their programs or measure their effectiveness. Typically, only a small percentage of the workforce participated — often those individuals who were already motivated to improve or maintain their health. Both employers and employees considered wellness programs to be a “fringe benefit” rather than a strategic initiative.

In contrast, employers today seek a more strategic approach. By utilizing techniques such as incentive rewards and personalized coaching to encourage their workforces to adopt and maintain healthier lifestyles, employers hope to achieve the “bottom-line” business and financial results described in Table 1.

Articulating an organizational wellness strategy is a hallmark of this new approach. A well-defined strategy typically includes program goals, a multi-year implementation plan, and a clear definition of program ownership, design, vendors, tools, infrastructure, and technology. It also identifies benchmarks for success and indicates how they will be measured and evaluated. Developing such a business-focused plan is essential if wellness program

sponsors are to secure the significant initial and continued financial support from senior management that these initiatives require. Sixty-two percent of U.S. organizations surveyed indicate they have such a wellness strategy, and survey data indicates a strong trend toward additional employers developing one.

Motivational Strategies

In order to encourage employee engagement in wellness programs, employers utilize a variety of incentives (both financial and non-financial) to reward various personal activities and/or achievements. (Some programs also impose penalties for failure to achieve or comply.) Although incentive rewards are offered by employers in all parts of the world, they are, by far, most popular in the United States. U.S. employers responding to the Buck survey spent an average of \$145 per employee per year on incentive rewards in 2008 — a significant increase from the \$100 average reported in 2007. Employers expect this financial investment will be offset by economic, health, and other benefits.

However, if the incentives aren't designed in ways that motivate employees, they will not be worth the investment. Currently, only a small percentage of employers report that their incentive reward programs are highly effective.

Employers can take the following steps to maximize the effectiveness of their incentive reward programs:

- Ensure that the rewards will stimulate action beyond employees' completion of a health risk appraisal (HRA), a questionnaire that measures health risks related to lifestyle choices such as poor nutrition, physical inactivity, tobacco and alcohol use, excessive stress, and personal safety. While completing an HRA is frequently rewarded and a high HRA participation rate helps an employer understand the magnitude of certain risks in its population, HRA data alone is not very effective in changing employee lifestyle behaviors. Rewards should motivate employees to engage more deeply in intervention and goal-setting programs, personal coaching, and other activities that will result in positive health outcomes.
- Choose the most cost-effective forms of reward. For example, health premium reductions and contributions to health savings accounts are not taxable to employees, unlike cash or merchandise rewards. In addition, the cost of an employee health insurance discount can be offset by increasing the base contribution level for all employees. Also, recognize the motivational power of non-financial incentives, such as team competitions. Learn which rewards are most effective for each workforce and organizational culture. Use surveys and focus groups to pre-test ideas and evaluate past successes and failures.
- An informed use of behavioral economics and social marketing concepts can maximize the motivational impact of incentives. These disciplines provide insight into why people make certain decisions, and how those decisions are influenced by social, cognitive, and emotional factors. For example, since people tend to overweight small probabilities, an incentive structured as a raffle prize will have a higher perceived value than an equivalent cash reward. Another principle, regret aversion (distaste for missing an opportunity to benefit), could further leverage a raffle by notifying individuals who would have won the raffle if they had performed the action necessary to qualify. These simple but compelling examples from a deep field of study have the potential to increase the effectiveness of wellness incentives.

While these principles can be used to boost short-term actions and program participation, the continuing challenge for employers is to design incentives that will motivate employees to sustain lifestyle changes for the long term.

ROI: the Holy Grail of Wellness

Employers invest in wellness initiatives because they expect a positive ROI (return on investment). They appreciate that, in order to achieve long-term benefits for the organization, they must commit to a multi-year investment in an organizational transformation. However, for a number of reasons, quantifying specific returns can be challenging:

- **Cost avoidance:** The savings from wellness initiatives are attributable to avoided future costs, due to the prevention of illness and reduction in employee absence and turnover. This requires measuring the cost of events that didn't happen, generally through comparison of actual versus expected (projected) metrics.
- **Multi-year horizon:** Wellness programs take several years to begin producing positive returns. In a program's first and second year, the required investment is often larger than the reasonably expected savings.
- **Measurement challenges:** Obtaining and analyzing extensive claims and risk data can be expensive and time consuming. In addition, some "indirect" costs, such as presenteeism and employee disengagement, can be difficult to quantify. Most organizations don't have the internal expertise or resources to perform such analyses.

Legal Considerations Affecting Incentives

In the United States, a number of laws impact wellness programs, including the following:

- **HIPAA** (Health Insurance Portability and Accountability Act of 1996) limits incentive rewards tied to health status.
- **ADA** (Americans with Disabilities Act) impacts how health screenings may be conducted.
- **GINA** (Genetic Information Nondiscrimination Act) governs how genetic information (including family medical history) may be used.

In general, these laws seek to protect individuals from inappropriate actions based on their health status that could adversely affect their employment and benefits.

Additionally, employers must be careful to ensure that wellness program standards do not inadvertently discriminate on the basis of age or gender, in violation of the **ADEA** (Age Discrimination in Employment Act) and/or **Title VII of the Civil Rights Act**. State laws also require consideration, for example, regarding the treatment of smokers.

Unfortunately, interpretation of certain aspects of some of these laws is still in flux. Employers are advised to consult with their legal counsel and/or a consultant to help ensure compliance.

As a result of these challenges, the majority of U.S. employers are not measuring the financial impact of their wellness programs according to Buck's survey. However, employers are well advised to find a middle ground between ideal measurement and no measurement at all. Establishing realistic, incremental, and measurable goals over several years that blend participation rates, health outcomes, and financial results could raise the bar each year. An example of this approach follows:

- **Year 1 Goal: Focus on Engagement**
 - Sixty percent of employees participate in at least one program element
- **Year 2 Goal: Add Risk Reduction and Satisfaction**
 - Population health risk profile (a measure of the prevalence of risks such as obesity and smoking) improves by at least two percent
 - Ninety percent employee satisfaction with the program
- **Year 3 Goal: Increase Expectations; Add Cost Reductions**
 - Eighty percent employee participation in HRA and other programs over the last three-year period
 - Fifty percent spouse participation in HRA
 - Measurable reduction in health care costs and/or absence rates, corresponding to health risk reduction

Each employer should vary appropriate metrics based on its situation and resources. But, as this example illustrates, committing to — and attaining — goals over several years can be critical steps toward justifying continued investment in a wellness program.

Conclusion

Wellness programs are very prevalent among U.S. employers eager for solutions to health care cost escalation. Despite this prevalence, wellness initiatives are not yet considered broadly successful in the United States. Many programs lack fundamental features, such as:

- A well-defined multi-year organizational wellness strategy
- Realistic, meaningful goals that can be benchmarked and measured
- A program design that effectively motivates and engages employees and their families through content, incentives, and communications

However, the underlying financial promise of workplace wellness is sound. With appropriate investment, focus, and leadership commitment, U.S. employers can achieve significant returns in employee health and productivity.

Further Reading

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HONG KONG

Employee Wellness at Risk in Corporate Hong Kong

By Audrey H.H. Tsui and Wolf Kirsten

Wellness refers to an individual's optimal state of well-being. It reflects not only the quality of life one enjoys, but also one's resilience to challenges and threats. Wellness is not only about "sickness prevention" or "health cost reduction." It also seeks to increase one's vigor and vitality, self-confidence, and promote a balanced lifestyle.

This article has two goals: The first outlines the reasons why employers' support of wellness initiatives is particularly important for their Hong Kong-based employees. The second provides guidance on how to make the business case for providing such support.

Growing Work/Life Imbalance among Hong Kong Employees

Numerous wellness studies highlight a growing work/life imbalance among Hong Kong employees, due mainly to increased work loads, extended work days, and unhealthy lifestyles. Consider the following findings from two surveys (one of employees and the other of employers):

- A 2008 Work Life Balance Survey Report¹ recently released by the Hong Kong University reported that 53.9 percent of the respondents worked 40 to 50 hours per week, 17.9 percent worked 50 to 60 hours weekly, while 7.5 percent worked from 61 to more than 80 hours weekly.

The study concluded that, as a result, many Hong Kong employees suffer from chronic fatigue, extreme exhaustion, poor diet, and excessive pressure that affects their sleep. All these consequences of work/life imbalance adversely affect productivity and work quality. Work/life imbalance can lead to "presenteeism," a situation in which employees, although present at work, are less productive than they could be because of symptoms such as muscular pain or depression.

- In 2006, Hudson, an executive search firm, surveyed 2,400 multinational employers that ranked Hong Kong as having the highest incidence of staff burnout among all Asian markets.²

¹ Hong Kong University, A Work Life Balance Survey Report, 2008.

² Hudson Report, "Employment Expectations and Staff Burnout High," Hong Kong, 13 April 2006.

How Are Employers Responding?

From June 2007 to August 2007, the Corporate Wellness Management Unit at the Hong Kong Baptist University undertook a pilot study on the corporate wellness management practices in Hong Kong. The study identified some corporate factors that contribute to the declining wellness of Hong Kong employees and the interventions Hong Kong employers had introduced to address these factors.

The study's findings were shaped by responses to a 25-item questionnaire that addressed some wellness practices commonly observed in benchmark companies. They also reflect a number of management factors that research conducted in the United States and Europe indicated can have a significant impact on employee wellness. The questions were grouped into four categories: 1) Employee Engagement by Management, 2) Management of Work Process and Work Load, 3) Creation and Monitoring of Employee Wellness Database, and 4) Introduction of Wellness Enhancement Measures.

The 104 responding companies were asked to rate the "Perceived Importance" (PI rating) and the "Level of Actual Practice" (AP rating) for each of these four categories. (See *Survey Respondent Profile* below.) The PI/AP realization ratio indicates the extent to which employers actually implement the practices they perceive as important. While there is no statistical proof that any ratio below a certain level indicates a serious disconnect between perception and practice, we suggest that decision-makers pay special attention to items that carry a PI/AP ratio of 0.85 or below.

Survey Respondent Profile

Of the 104 responding organizations, 68 percent are private enterprises; 22 percent, public institutions; 6 percent, government departments; and 4 percent are non-governmental organizations (NGOs).

About 20 percent of the respondents hold senior management positions such as president, vice president, general manager, or director of a company or division; 48 percent are department heads; and 21 percent are professionals or administrative officers. The respondents from the private sector are fairly representative of Hong Kong industries.

The top three industries represented are construction and real estate (17 percent); banking and insurance (13 percent); and trading (9 percent). Nearly half (49 percent) of the respondents are local companies while close to one quarter (27 percent) are foreign-owned enterprises. More than two-fifths (42 percent) of the sample are listed companies, while non-listed companies took up 34 percent. The rest are public institutions or NGOs.

Summary of Findings

1. Employee Engagement by Management

As shown in Table 1 below, the responding companies acknowledged the importance of treating employees as valued and important assets of their organizations and keeping employees informed on matters affecting them. Yet they did not give as much attention to the importance of upward communication from the floor.

Senior management was not particularly keen on involving employees in the planning of organizational change, nor were they eager to conduct regular surveys collecting employees' opinions. Such a management philosophy could be problematic during the current financial meltdown when employees may especially like to have their views heard.

Table 1. Mean Score Distributions on "Employee Engagement by Management"

	PI Mean	AP Mean	AP/PI (Realization ratio)
Senior management makes employees feel that they are a valued and important asset of the organization.	4.22	3.83	0.91
Senior management keeps employees informed on matters affecting them.	4.14	3.85	0.93
Senior management involves employees in the planning of organizational change to reduce the feelings of uncertainty and insecurity.	3.83	3.36	0.88
Our organization conducts regular surveys to collect employees' opinions.	3.68	3.02	0.82

2. Work Process and Work Load

From Table 2, one observes that overtime work (exceeding 10 hours per day) has been common practice in Hong Kong, possibly a consequence of lean staffing due to the country's high-wage policy. The responding companies also preferred "work process streamlining" as the most popular approach to improve work efficiency.

On the other hand, between 2004 and 2007, Hong Kong and all of China witnessed an unprecedented surge in property and stock market values, which subsequently produced a rapidly expanding pool of high-net-worth individuals (HNWIs). As a result, many companies, especially those in the finance and insurance sectors, engaged in very aggressive hiring during those years so as to avoid not having enough staff to serve the investment needs of these HNWIs.

However, these same finance and insurance sector companies have become the most vulnerable during the current financial crisis. Many have announced credit tightening and downsizing, leading to a high level of anxiety and unhappiness all around: among their employees, their business partners, and many investors who claim to have been misled.

Table 2. Mean Score Distributions on “Work Processes and Work Load”

	PI Mean	AP Mean	AP/PI (Realization ratio)
Our organization regularly streamlines work processes to improve work efficiency.	4.05	3.66	0.90
Our organization employs enough staff to accomplish the necessary workload.	3.94	3.59	0.91
The workload in our organization is evenly and fairly distributed.	3.72	3.33	0.90
Our organization introduces automation and/or outsourcing to reduce workload.	3.69	3.36	0.91
Our organization seldom requires employees to work beyond 10 hours per day.	3.55	3.14	0.88

3. Monitoring of Wellness Indicators

Most Hong Kong employers observe local labor regulations regarding injuries and accidents in the workplace. In contrast, the Table 3 ratings also indicate that employers appear to pay much less attention to monitoring the direct medical cost or the status of employee wellness. It’s possible that the Hong Kong Government’s practice of heavily subsidizing in-patient care partially explains this inattention.

Table 3: Mean Score Distributions on “Monitoring of Wellness Indicators”

	PI Mean	AP Mean	AP/PI (Realization ratio)
Our organization monitors the rates of work injuries and accidents.	4.21	4.04	0.96
Our organization develops and monitors certain Wellness Performance Indicators (e.g., number of sick days, illness statistics).	3.59	3.19	0.89
Our organization monitors direct medical cost on a regular basis.	3.57	3.24	0.91

4. Introduction of Wellness Enhancement Measures

Consistent with evidence of employers’ close attention to work injuries and accidents, Table 4 shows the responding companies also introduced stringent measures to “remove health or safety hazards” from the workplace and “follow strict rules and codes of conduct concerning the safety standard and potential health threat of our products and services.” In addition, many employers paid for or subsidized their employees’ insurance coverage at levels exceeding the mandatory requirements and were willing to take steps to reduce sick leave.

Yet employers did not adequately address employees’ expectations regarding counseling services, health screening, healthy lifestyle coaching, and promoting regular fitness or sport activities. For instance, the responding organizations were not interested in sponsoring employee fitness activities and reported only moderate administrative support for managing wellness activities in-house. This would seem to suggest a lack of commitment to preventive care programs.

Table 4: Mean Score Distributions on “Introduction of Wellness Management Measures”

	PI Mean	AP Mean	AP/PI (Realization ratio)
Our organization introduces measures to remove health/safety hazards to employees.	4.32	4.09	0.95
Our organization follows strict rules and codes of conduct concerning the safety standard and potential health threat of our products and services.	4.28	4.13	0.96
Our organization provides employee insurance coverage that exceeds mandatory requirements.	3.88	3.69	0.95
Our organization assigns special personnel to be in charge of employee wellness.	3.63	3.29	0.91
Our organization sponsors regular health screenings for employees.	3.43	3.00	0.87
Our organization sponsors preventive health care (e.g., fitness club membership).	2.93	2.34	0.80

Making the Business Case for Corporate Wellness

Given the widespread impact of the current financial crisis, employers should direct special attention and effort to the emotional and physical well-being of their employees. Faced with economic uncertainty, some companies may be inclined to reduce the scope of wellness programs or eliminate them entirely. In fact, it is during periods of economic uncertainty that wellness programs can have their greatest positive impact on workforce morale and confidence. Therefore, it is essential that HR professionals develop a strong and defensible business case for wellness programs and communicate this effectively to senior management. HR professionals in Hong Kong can do this in at least two ways.

First, they can highlight the negative impact to the company's bottom line of a work/life imbalance as described in this article. The best way to do this is to document prevailing presenteeism among employees. Work/life imbalance and associated mental problems do not always result in increased absenteeism, but they do have a major impact on employees' performance at work.

The methods of measuring presenteeism have matured considerably over the last five years and a number of validated self-report surveys now exist, e.g., the Work Limitations Questionnaire (WLQ) and the Health and Work Performance Questionnaire (HWPQ). While tracking presenteeism as a key wellness indicator is not the norm internationally and, indeed, an exception in Hong Kong, a growing number of companies, particularly multinational corporations, are starting to do so.

Second, in conjunction with self-report surveys that measure presenteeism, health risk appraisals (HRAs) are an effective tool for generating health-related data. Data compiled from HRAs on high-risk employees (i.e., smokers, obese, physically inactive, poor work/life balance) can be used to document the economic impact of unhealthy employees.

For example, a 2005 study by a major company concluded that presenteeism costs for high-risk employees exceeded absenteeism and medical cost estimates by a factor of at least three in all cases except diabetes. This finding has led the company to track presenteeism globally. The study also found that depression caused the greatest amount of presenteeism on a per employee basis.

Using integrated self-report surveys and HRAs, a company can analyze the health of its workforce and the resulting financial implications in detail. Presenting such data will enhance the likelihood that senior management will listen and support a wellness program. In addition, compiling it will enable HR to continuously track and document improvements. Data collected from surveys and HRAs needs to follow privacy laws and employees should be convinced of the benefits of participating in the survey. Typically, this effort would be coordinated with existing health screenings to include clinical data (e.g., blood pressure, cholesterol levels). Only with a reliable and comprehensive health database can work/life imbalance be improved and more targeted wellness initiatives implemented in Hong Kong.

Conclusion

Excessive workload and inadequate two-way communication might be major sources of job stress and work-related fatigue for employees in Hong Kong. Unfortunately, most employers can not easily detect the true economic impact of stress and fatigue because, so far, they lack the ability — and perhaps commitment — to develop a health database and have not monitored employee wellness. There is a need in Hong Kong for a more systematic approach to corporate-sponsored wellness programs. Fortunately, Hong Kong employers can study such an approach already implemented by employers in other parts of the world.

THE NETHERLANDS

Employer-Sponsored Wellness Programs in The Netherlands: Is a Paradigm Shift Coming?

By Rutger Verbeet

Many Dutch senior managers have tightly linked the wellness of their employees to their organization's health and welfare policies. This article explores how and why this relationship exists in The Netherlands, and the ways it might be changing.

The Netherlands has always exemplified a welfare state. An extended social security system supports each citizen and, by means of a basic social security net, protects them from poverty. However, as the cost for this support has greatly increased since the mid-1980s, the government is now actively pursuing a cost reduction policy. See "New Welfare Program Legislation Equals New Costs for Employers" on page 17.

Among other things, the new legislation gives the employer the primary responsibility for reintegrating employees who had been out sick into its workforce as quickly as possible. If returning an employee to his or her former job is not possible because of independently confirmed medical circumstances, the employer is obliged to do his utmost to find that employee a new job either within the organization or with another employer. Employers that don't meet this requirement must pay a penalty and continue to pay the employee's salary. The law forbids employers from dismissing employees due to illness. On the other hand, the recovering employee must cooperate with the employer's efforts to place him or her in a more suitable job. If the employee does not, the employer then has the right to stop paying his or her salary.

New Welfare Program Legislation Equals New Costs for Employers

One of the first policy areas the government reviewed as part of its cost-reduction effort was health and welfare benefits. As part of the social security system, the government provided almost complete medical coverage to the majority of citizens in return for a relatively small tax premium. The small number of employees who have gross incomes approximately two times above the average were required to obtain medical coverage through a private insurance company. In such cases, most employers subsidized between 30 and 50 percent of the insurance costs of each employee as a part of their employee benefits system.

The total contributions from citizens, subsidized or not subsidized by their employers, were not enough to cover the yearly costs of the medical support provided. So the government was forced to pay the difference for the medical support of their citizens using other tax income. This had an impact on other governmental tasks and the tax burden carried by the Dutch population.

After the government's review, the new legislation was implemented in two tranches at the start of 2004 and 2006. The new legislation removed income as a determinant of where citizens would get their medical coverage; every citizen would be guaranteed basic medical coverage. Generally, this basic package does not cover esthetical surgery and dental care, paramedical therapy, and homeopathic care although any citizen may buy coverage for these types of care from a separate (private) insurance.

The new legislation requires employers to contribute to the costs of health and welfare of their employees. The total contribution is split into two parts. First, there is a nominal premium more or less equal to the tax premium citizens were paying under the old regime. Second, there is an income-dependent contribution. Based on the new legislation, the employer is obliged to retribute this premium to employees.

Wellness Policies in The Netherlands: Two Broad Options

The new legislation and the current state of employer / employee relations have made employee wellness and health and welfare hot management issues throughout The Netherlands. Almost every organization has adopted some kind of policy.

In practice, one sees two forms of policies regarding employee "wellness." The first policy, currently quite common throughout The Netherlands, is geared to getting the sick employee reintegrated as quickly as possible. Containing the employer's costs seems to be this policy's main goal.

The moment an employee reports in sick, the manager contacts the employee and asks for specifics about his or her symptoms and how many days the absence is likely to last. Based on this information, the manager can contact a company physician and ask for an assessment. If the physician thinks the employee's symptoms do not justify the absence, the employee can be forced back to work. Employees who do not appear at the worksite risk a salary

deduction. This process of having sick employees report in to their employer about their symptoms and the likely length of their absence can continue for as long as the employee remains absent.

The second, more progressive policy emphasizes prevention. It is based on the premise that the best way to prevent absence due to sickness is to reduce the chance that an employee gets sick in the first place. With this goal in mind, some major Dutch companies have set up lifestyle programs for their employees. These programs include establishing "fitness studios" at the workplace, managed by trained and expert instructors. Employees can use the studio free of charge and at their convenience. Furthermore, employees can get advice concerning nutrition (diet) and work/life balance in person-to-person sessions or through various help desks or Web-enabled applications.

Initial surveys of employees' reactions to these prevention programs indicate that employees' perception of themselves as healthier is going up while absence due to sickness is, in fact, going down. Furthermore, it's clear that, as employee satisfaction rises, so do employee retention, loyalty, and productivity. In general, the wellness of employees gets a tremendous boost from these programs.

Employers' Perspective on Prevention Programs

But there is another side to the coin. First, these programs are typically very costly, especially for small and mid-sized companies. However, organizations have less costly alternatives to establishing stand-alone programs. For instance, they can team with other small or mid-sized organizations to establish a program, or arrange a program with a local fitness studio or gym.

Second, there is usually no turning back. Once a company starts such a program, it takes on a significant commitment. If the company were to discontinue the program, all the advantages associated with having it in the first place are likely to disappear. Employee satisfaction and production will decrease, retention rate will drop, and loyalty is likely to lessen.

Considering the cost and "no turning back" nature of preventive programs, it is important for employers to implement an adequate monitoring system that ensures that all actions are in compliance with program policies. Buck's office in The Netherlands has advised companies on taking the right actions at the right time when implementing and administering such programs. Buck has also developed tools that, among other things, analyze in real time what cost reductions the program delivers.

For instance, it is very important for employers to analyze the cause of the absence. If an employee gets the flu or a cold, immediate action is not required. In most cases the employee will return to work in a week or so. If an employee repeatedly reports being sick due to the flu or a cold, then employer follow-up is necessary.

It is advisable to confront this particular employee about repeated absences. Possibly the employee is pretending to be ill so often in order to stay away from the workplace for a totally unrelated reason. That unrelated reason could be a domestic issue or it could be work related such as a long-standing conflict with a manager. If it is determined that the absence is related to a manager/employee conflict and further analysis shows that other employees reporting to this particular manager are also repeatedly absent, the best policy may be to replace the manager.

Buck has tools that can be used to document the frequency of absences within the team of a manager or within any other entity making it a useful decision-making instrument in such instances.

Conclusion

In today's economic climate, cost containment and reduction are pressing issues for every organization within The Netherlands and those organizations outside The Netherlands with which Dutch companies do business. It is critical that every Euro or dollar invested produces a measurable return.

Employee absence due to sickness generates huge costs for organizations. However, the good news countering that reality is that a healthy workforce is more likely to be a loyal and productive workforce. When considered in that light, it can be profitable for organizations to develop a wellness/lifestyle program. The return on investment could very easily exceed the costs.

SOUTH AFRICA

South African Social Security — Time for a Change?

By Joanna Legutko

It has happened around the world — from Chile to Poland, from Mexico to Sweden. Now South Africa is following suit with the announcement that 2010 will see an extensive reform of the country's Social Security and Retirement framework. This article looks at the economic and social environment that necessitates this change, the actual changes legislators have proposed, and their prospects of being implemented.

The Need for Change

South Africa, a country at the southernmost tip of Africa, has many challenges. It is still grappling with the legacy of its apartheid past; it has the world's highest incidence of HIV and AIDS; and there is an enormous income gap between the rich and poor. The top 10 percent of the working population earns more than 50 percent of the country's household income. The bottom 40 percent, receiving just seven percent of the income, constitutes millions of South Africans working informally or erratically and living below the poverty line, defined at R322 (USD30) per person per month.

The private retirement fund industry, a well-developed system maintained chiefly by employers, covers only 5.8 million of the country's 13.5 million workers. This coverage is frequently available to higher-paid workers but much less frequently available to low-paid workers. Social Security grants reach approximately 12 million of the country's 47 million citizens. Furthermore, so-called "social old age grants" are subject to a means-testing process that discourages saving. Available health care has splintered into an expensive, private network financed through memberships in private medical aid funds on the one hand, and overcrowded public hospitals on the other.

Legislators Propose Wide-Ranging Restructuring of Social Security Grants

South African legislators are proposing a radical restructuring of Social Security grants, retirement savings systems, and health care provisions. The restructuring is being developed in line with the World Bank's five pillar system of social provisions. It includes:

- A boosted "Pillar 0" that would increase the reach of Social Security grants by removing means testing and equalizing retirement ages for men and women at age 60.
- The addition of a "Pillar 1," a National Social Security Fund (NSSF) that would require all citizens to save for their retirement and would also provide death and disability benefits.

- The current pension fund industry would become a considerably reformed and more tightly regulated “Pillar 2” that would provide additional compulsory defined contribution (DC) benefits through private funds. Employers and employees would contribute to this pillar, and have the ability to choose the fund to which they contribute. It is unclear how many such funds would exist and how the current industry would be affected by the change.
- A “Pillar 3” would allow for additional, voluntary savings, but it seems unlikely that these savings would receive the tax benefits that make retirement savings attractive for employees. Pillar 3 would also be unlikely to receive significant contributions since the compulsory contributions into Pillars 1 and 2 are likely to be as high as 15 to 18 percent of income, making it unlikely that South Africans would elect to save voluntarily for Pillar 3.
- Finally, the agenda was recently extended to include National Health Insurance, seen as a “Pillar 4.” Given the cost of health care and the socio-economic profile of South Africa, this pillar is possibly the most challenging to implement and potentially the most expensive.

What Restructuring Could Achieve: Will It Happen?

This restructuring would result in several significant changes for South Africans. Saving for retirement would become compulsory, rather than voluntary. Access to savings before retirement would become much more restricted, and access to Social Security grants in old age will be much improved. Depending on the shape of the health care reform, there could also be an improvement in access to and quality of health care.

The South African government has established a task force, comprised of members of the National Treasury and the Department of Social Development, dedicated to advancing this project. The agendas of these two departments are, however, not always aligned. The National Treasury is concerned with fiscal implications and the “supply” side of providing social security benefits, while the Department of Social Development tends to focus on the “demand” side — addressing the economic needs of South Africans and the social wrongs of the past.

The discussions between the two departments have been under way since early 2007. Although the parties have reached some agreement, much remains unresolved including:

- The level of contributions by employers and employees to each pillar
- The level of participation by the private retirement funds already in existence
- The nature and level of retirement and risk benefits to be provided
- The extent to which employees will have pre-retirement access to savings, and
- The extent to which cross-subsidies between high- income earners and the poor are required.

In the midst of these discussions, the South African political landscape has changed. President Thabo Mbeki has been replaced by an interim government. With the political focus now on the April 2009 elections, it appears that little will be done to advance social security reform until then. The change in the African National Congress (ANC) leadership also raises the question of whether or not the new leadership sees this project as a high priority. Additionally, a new political party, the Congress of the People (COPE), has split off from the ANC. COPE has the

potential to change the balance of power in the new government by challenging the ANC's expectation of winning the crucial 66 percent majority of the vote.

Conclusion

Will the new leaders agree with the proposals formulated under their predecessors? In the current economic climate, are these proposals financially feasible?

These and other questions remain. South Africa is not the first country to face these challenges. While it is learning many lessons from those countries that have faced them before, any solution South Africa develops will need to address the country's unique situation.

UNITED KINGDOM

How Can a Wellness Strategy Help an Ailing UK Economy?

By Adrian Norris

The mood for employers is sombre, the outlook hard to discern given the still deteriorating economy. Many businesses are struggling; some have already failed, and others may not survive. However, despite the uncertainty, all businesses must seize opportunities to be more productive, more efficient, and more proactive in carving out a bigger share of the available market.

This article will examine how employers can use a relatively underutilised but powerful tool to cut costs, improve efficiency, and develop employee engagement. That tool is a workplace wellness programme.

The findings of Buck's recently published *Global Wellness Survey* certainly indicate that many employers recognize that a wellness strategy can support their key objectives such as employee productivity and engagement. In fact, as the survey findings in Chart One illustrate, improving productivity and engagement are among the top three objectives for employers in the UK and in Europe as well.

Chart One: Employee Productivity and Engagement — Two Top Wellness Strategy Objectives

	UK	Europe	U.S.	Canada	Africa
Reducing employee absences	1	2	3	2	1
Improving productivity/ presenteeism	2	3	2	1	2
Improving workforce morale/engagement	2	1	4	4	4
Attracting and retaining employees	4	4	5	4	3
Furthering organisational values/mission	6	5	6	7	5
Improving workplace safety	7	6	7	6	6
Promoting corporate image or brand	8	7	8	8	7
Reducing healthcare costs	5	8	1	3	9
Fulfilling social/community responsibility	9	9	9	9	9
Complying with legislation	10	10	10	10	10
Supplementing government-provided healthcare	11	11	11	11	11

Wellness programmes have been around for a while — although not always named thus. Some may consider these programmes “fluffy,” all about spending money unnecessarily and adding to business costs without any return — or at least a measurable return. They don’t seem to believe the programmes are a particularly promising business strategy in these lean times.

Others may acknowledge wellness programmes' capacity to boost productivity, but still see no reason to consider them seriously in the current job market when most employees may opt to increase their productivity in any case if unemployment is a possible, even likely, alternative. In response to that thinking, we should ask: Is a fear factor really what we should be relying on to drive our businesses' success? Is fear an appropriate driver to create innovation and best practice?

“Workplace Wellness” in the UK: Defined and Debated

Does an employee's health have a measurable impact on what he or she does in the workplace? Of course it does! Obviously, an attendance record is one measure but, although less obvious, so is an employee's level of performance on any given workday. We all work better on some days than on other days – psychological factors as well as physical factors affect our daily performance. Matters as simple as “mood” or external worries, such as financial concerns, can contribute to less than optimal performance.

The cost of employee absence is relatively easy to calculate. But how aware are we of the cost of “presenteeism” — defined as sub-optimal performance from a disengaged/unwell, but present, employee? Estimates suggest the cost is anything between x2 and x7 the cost of absence.¹

As part of their efforts to reduce the incidence — and costs — of employee absence and the even larger costs of presenteeism, many organisations provide their employees with “health-related” elements of a remuneration package such as Life Assurance, Income Protection Insurance, Medical Insurance, and Employee Assistance Programmes.

Although these are important and valued programmes, they address only circumstances in which significant ill health has befallen an employee. The vast majority of employees will not need or use these programmes (some of which give rise to a personal tax liability) in any given year.

Most employers have little in place to help prevent this year's well person becoming next year's unwell claimant. It is this issue of *prevention* that we need to address. In the United Kingdom, Occupational Health (by which we mean some form of medical service supporting employees at their workplace) plays an important preventive role at some organizations but, too often, Occupational Health works in isolation of other benefits and initiatives — or has a narrow brief and limited resources.

¹ Main, C; Glozier, N; Wright, I (2005). Validity of the HSE stress tool: an investigation within four organisations by the Corporate Health and Performance Group. *Occupational Medicine* 2005;55:208–214

Is Change in the Air?

Two pieces of evidence suggest that it is.

1. Buck's *Global Wellness Survey* revealed some positive developments in the United Kingdom. There is a significant increase in the number of employers making investments in wellness activity. According to the survey, both large and small organisations, employing more than 600,000 workers, are in this category. Some employers' initiatives are as simple as integrating the existing structures and vendors to achieve efficiencies, service improvements, and, potentially, realize cost savings. Others are undertaking a complete wellness audit and strategy development, often leading to new employer-sponsored health promotion initiatives.
2. There is also growing evidence that a commitment to employee well-being — and the improved employee engagement that it's likely to foster — requires a top-down investment of time and money if it is to succeed. (Don't forget to measure your base line first so you can measure the improvement later.)

If an employer expects its employees to be deeply committed to doing quality work, those employees need to feel that their senior managers truly care about and support their well-being. If senior managers perceive their staffs as automatons performing ill-defined functions by rote with no awareness of how their contributions drive business performance, those staffs will not be engaged and productive. So, senior managers must "walk the walk and talk the talk" about their true commitment to employee wellness.

How Can Organisations Increase the ROI on Their Wellness Programmes?

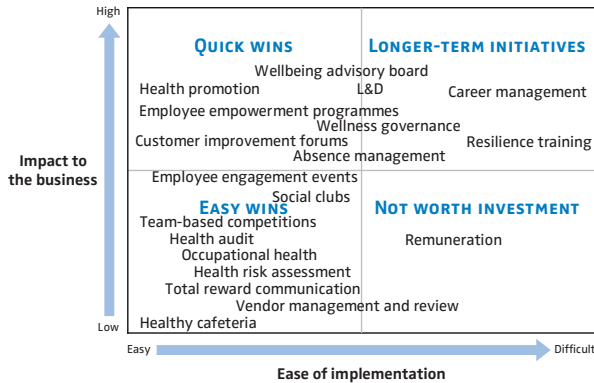
We suggest the following three steps:

- **One: Determine if existing programmes are properly integrated.** It is not uncommon for health benefits and related initiatives to be developed and managed in an entirely uncoordinated way. Optimally, however, programmes such as insurance contracts, benefit provisions, and in-house services such as Occupational Health should be seen by employees as a seamless set of support mechanisms. That perception will decrease the cost of these programmes as their design is fine tuned and their efficiency is improved.
- **Two: Analyze the gaps.** Next is a fact-gathering trip. What welfare programmes are currently in place and what is the purpose of each one? Is there evidence that they are achieving their purposes? For instance, can a decrease in absence figures be seen as clear evidence of some programmes' success? Conversely, can an increase in absence figures indicate a need for improvement in such programmes? Is the health profile of the workforce getting better or worse? In either case, which programmes might be responsible?
- **Three: Create an action plan.** The gap analysis helps identify the programmes that may need attention. The action plan helps determine which programmes should be addressed first.

Chart Two lists both wellness and engagement programmes likely to be found in a typical organisation in the United Kingdom. Each programme is positioned on the chart according to two criteria: first, the impact it could have on a business when implemented effectively and, second, its ease of implementation.

Looking at each programme from these two perspectives, an employer can put each programme in one of four categories: Easy Wins, Quick Wins, Longer-term Initiatives, and Not Worth the Investment. Clearly, those programmes in the upper left quadrant (Quick Wins) should be addressed first. Some of the other programmes may be tackled at a later date.

Chart Two: Buck Consultants Engagement & Wellness Prioritisation Matrix



So How Do We Summarise the Situation in the UK?

The UK’s Chartered Institute of Personnel Management (CIPM) defines well-being at work simply as “creating an environment to promote a state of contentment which allows an employee to flourish and achieve his/her full potential for the benefit of themselves and their organisation.”

UK employers are beginning to develop wellness and engagement programmes to foster such an environment. Recent research by PruHealth provided evidence of this when it revealed that the UK has an “overall health of the nation score” of 61 percent. This score is made up of several different measurements. For instance, the United Kingdom scores 51 percent for exercise and 57 percent for stress management. Interestingly, regional differences occur with Scotland scoring 75 percent for general health compared with Wales scoring 62 percent.

The fact is that wellness and engagement programmes in some UK organisations are very well developed. However, many other organisations in the UK have enormous opportunities to get better returns on their investment in these programmes. Specifically, organisations will find they achieve more when they invest in new tools and support mechanisms that help employees help themselves.

Global Human Resource and Benefits Consulting

Buck Consultants, an ACS company, is one of the world's leading providers of human resource and benefits consulting services. This publication was prepared with assistance from consultants located in offices around the world.

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