

# 03

## WHY INVEST IN HEALTH AND WELLBEING?

### Key questions to ask

- What are the impacts on business performance?
- How can I calculate the financial benefit to my organisation?





In this section of the Healthy Workplace Resource Toolkit, we look at the numbers behind implementing a successful health and wellbeing program.

# WHAT ARE THE IMPACTS ON BUSINESS PERFORMANCE?



**Given the close link between** healthy employees and business performance<sup>1</sup>, a workplace health and wellbeing program has the potential to have a positive impact on your business productivity.

In the short term, the success of your health and wellbeing program will be demonstrated by improvements in the way your employees:

- work together
- engage in their jobs
- enjoy their work.

**In the long term**, you should see the positive influence of your program on your organisation's business performance through:

- gains in staff retention
- improved efficiency
- enhanced corporate image
- reduced absenteeism and presenteeism
- reduced disability claims.

Some of these improvements are harder to measure than others, but each will contribute to improving your business bottom line.



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## Business performance fast facts

- For every dollar invested in workplace health and wellbeing programs, there is a return on investment of between three and six dollars.<sup>2</sup>
- Reduced performance costs employers two to seven times more than absenteeism.<sup>3</sup>
- In 2005-2006, the cost of work-related injury and illness in Australia was estimated to be \$57.5 billion (5.9% GDP), of which employers bore \$10.2 billion.<sup>4</sup>
- The greater the number of health risks per employee, the greater the negative impact on their productivity.<sup>5</sup>
- Implementing a health and wellbeing program can reduce employee risk factors by up to 56%.<sup>6</sup>

# WHAT ARE THE IMPACTS ON BUSINESS PERFORMANCE?



Your workplace health and wellbeing program may also have a direct impact on your business environment by addressing some common business issues.

Issue	Potential impact
Over the next 15 years there will be a four-to-five times increase in the number of Australian workers eligible for retirement. <sup>7</sup>	 Healthy workers stay in the workforce longer.
By 2015 there will be a significant shortfall of qualified people in the workforce. <sup>8</sup>	 Trained staff who have high job satisfaction are more easily retained.
82% of Australian businesses report they have a skills gap, which leads to higher levels of work stress and lower morale. <sup>9</sup>	 Workplace health and wellbeing programs can assist in managing work stress levels and improve morale among your employees.

Let's see how you can turn this into dollars in your pocket.



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# HOW CAN I CALCULATE THE FINANCIAL BENEFIT TO MY ORGANISATION?

Two of the more tangible ways that employee health can have an immediate financial benefit to your organisation is through reducing:

1. Absenteeism
2. Staff turnover.

The following exercise will help you calculate the impact a successful workplace health and wellbeing program can have on staff absenteeism and turnover rates. Where a percentage range is provided, the percentage that calculates the most conservative saving is used.

## I. Absenteeism

Fill in the following spaces to estimate the cost of absenteeism to your organisation.

Total number of employees	_____	(A)
Sick leave rate per employee per year (in days)	_____	(B)
OR		
Total number of sick days in last 12 months	_____	(C)
Hours worked per day	_____	(D)
Average hourly wage (\$)	_____	(E)
Total annual cost of staff sick leave	\$ _____	(F) (A x B x D x E) or (C x D x E)

It is estimated that a successful workplace health and wellbeing program can decrease staff absenteeism by an average of 30-40%.<sup>10</sup>

Reduction in sick leave (%)	30%	(G)
<b>Total annual savings in sick leave achievable by implementing a workplace health and wellbeing program</b>	<b>\$ _____</b>	<b>(H) (F x G)</b>

## 2. Staff turnover

Fill in the following spaces to estimate the cost of staff turnover to your organisation.

Total number of employees resigned in the last 12 months	_____	(I)
Average annual gross wage (\$)	_____	(J)

It is estimated that the cost of replacing an employee is 75-150% of the employee's salary.<sup>11</sup>

Cost of replacing an employee as a percent of annual salary	75%	(K)
Annual cost of replacing employees as a result of resignation	\$ _____	(L) (I x J x K)

It is estimated that a successful workplace health and wellbeing program can decrease staff turnover by an average of 10-25%.<sup>10</sup>

Reduction in staff turnover (%)	10%	(M)
<b>Total annual savings in staff turnover achievable by implementing a workplace health and wellbeing program</b>	<b>\$ _____</b>	<b>(N) (L x M)</b>
<b>Total annual savings as a result of implementing a successful workplace health and wellbeing program</b>	<b>\$ _____</b>	<b>(O) (H + N)</b>



# HOW CAN I CALCULATE THE FINANCIAL BENEFIT TO MY ORGANISATION?

The following example illustrates these calculations.

*In the last 12 months, a company of 50 staff has experienced a sick leave rate of 8.5 days per employee and has recruited 3 replacement staff due to resignations. The average staff salary is \$50 000. The company runs a shift roster of 8-hour days and the average hourly wage is \$25.*

Total number of employees	50	(A)
Sick leave rate per employee per year (in days)	8.5	(B)
Total number of sick days in last 12 months	425	(C)
Hours worked per day	8	(D)
Average hourly wage (\$)	25	(E)
Total annual cost of staff sick leave	\$85 000	(F) (A x B x D x E)
Reduction in sick leave due to a workplace health and wellbeing program (%)	30%	(G)
<b>Total annual savings in sick leave achievable by implementing a workplace health and wellbeing program</b>	<b>\$25 500</b>	<b>(H) (F x G)</b>
Total number of employees resigned in the last 12 months	3	(I)
Average annual wage (\$)	50 000	(J)
Cost of replacing an employee as a percent of annual salary	75%	(K)
Annual cost of replacing employees as a result of resignation	\$112 500	(L) (I x J x K)
Reduction in staff turnover due to a workplace health and wellbeing program (%)	10%	(M)
<b>Total annual savings in staff turnover achievable by implementing a workplace health and wellbeing program</b>	<b>\$11 250</b>	<b>(N) (L x M)</b>
<b>Combined annual savings for reduced sick leave and staff turnover, as a result of implementing a successful workplace health and wellbeing program</b>	<b>\$36 750</b>	<b>(O) (H + N)</b>

In this example, the organisation has potential annual savings of over \$36 000 through minimising absenteeism and staff turnover. Other less tangible savings could be made through increased productivity, staff engagement and morale.

To access an electronic version of this calculator, download the following resource from this CD-ROM, or from [www.worksafe.tas.gov.au](http://www.worksafe.tas.gov.au)



Return on investment calculator



What might be the potential savings for your business?



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# FURTHER READING

For more information on the business benefits of workplace health and wellbeing programs, download the following resources from this CD-ROM or from [www.worksafe.tas.gov.au](http://www.worksafe.tas.gov.au)



Medibank Private: Workplace wellness in Australia



ComCare: Benefits to business - The evidence for investing in worker health and wellbeing



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# REFERENCES



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