



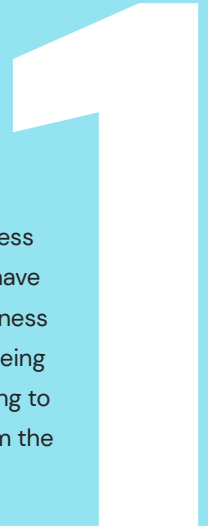
# The Impact of Wellbeing on Team Performance

A comprehensive review of the latest research into cost and impacts of employee wellbeing on individual and business performance, and a deep dive into the effectiveness and profitability of employee wellbeing solutions.

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# Introduction



Employee wellbeing is more important than ever in today's fast-paced and demanding business environment. More than 90% of business leaders agree that employee health and wellbeing have a very significant influence on productivity and performance.<sup>1</sup> But despite this growing awareness of the overall effects of employee wellbeing, too many organizations still view employee wellbeing as a luxury rather than a necessity. Furthermore, many employer-initiated supports are proving to be under-effective and under-utilised by employees. As a result, many employees suffer from the associated costs of poor health and low morale that are then passed on to businesses.

A recent survey conducted by the American Psychological Association revealed that 79% of employees are experiencing work-related stress.<sup>2</sup> That same report reveals that nearly 3 in 5 employees reported negative impacts of work-related stress, including lack of interest, motivation, or energy (26%) and lack of effort at work (19%). Meanwhile, 36% reported cognitive weariness, 32% reported emotional exhaustion, and an astounding 44% reported physical fatigue—a 38% increase since 2019.

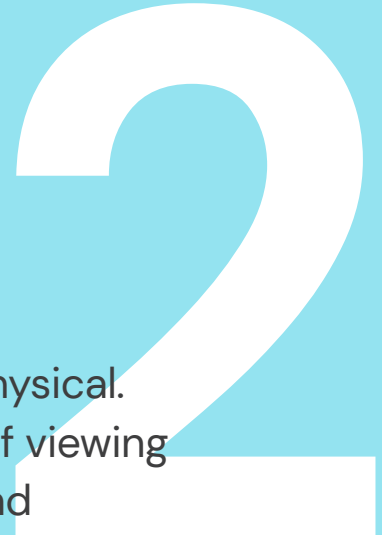
This white paper aims to shed light on some of the problems and limitations with existing solutions currently trying to address these challenges, before making a case for our recommended approach, wellness allowances.

We will comprehensively consider the latest research looking at what the true costs and impact are on businesses who aren't investing properly into employee wellbeing, and what a likely ROI would look like for organisations adopting a proactive approach like a wellbeing allowance.

1 Health Enhancement Research Organization (2015). Exploring the value Proposition for Workforce Health

2 American Psychological Association (2022). Burnout and stress are everywhere

# Defining employee wellbeing



Employee health reaches beyond just the physical. Current literature stresses the importance of viewing health holistically: physical, social, mental, and emotional each playing a role. By supporting overall wellbeing, employers can benefit from improved holistic wellness rather than just offsetting negative health outcomes.

Employee wellbeing is a broad term encompassing various aspects of an individual's physical, emotional and mental health. In the context of the workplace, employee wellbeing refers to the overall wellbeing of employees in terms of their health, satisfaction, and engagement with their work. It's crucial, when talking about individual health and wellbeing to consider physical, mental, and social wellbeing, not merely the absence of disease or infirmity<sup>3</sup>, as these aspects all play a role in the overall health of employees and can therefore impact their performance.

The ways in which employee wellbeing can manifest in the workplace are many and varied. It can be seen in employees' physical health, such as energy levels, stress levels, and overall fitness. Emotional wellbeing commonly includes job satisfaction, work-life balance, and mental health, while mental wellbeing may cover employee engagement, motivation, and cognitive function. All these different factors contribute to an employee's overall wellbeing and are interconnected with one another. Investing in employee wellbeing can help improve employee engagement and productivity and reduce turnover.<sup>4</sup>

Businesses often misinterpret or confuse the concept of employee wellbeing, leading to detrimental effects for the company and its employees. For example, some companies may view employee wellbeing solely in terms of physical health, prioritizing providing perks such as on-

<sup>3</sup> World Health Organization (2023). Health and Wellbeing.

<sup>4</sup> Gallup (2022). State of the Global Workplace Report

site gyms and healthy snacks. While these can be beneficial, they do not address all aspects of employee wellbeing, such as mental and emotional health, job satisfaction, and work-life balance.

Additionally, some companies may interpret employee wellbeing solely as a means to increase productivity rather than improving overall employee satisfaction and wellbeing. This can lead to an unhealthy work environment where employees are overworked, stressed and disengaged. To truly support employee wellbeing, businesses must take a holistic approach that considers all aspects of an employee's wellbeing and prioritizes creating a positive and supportive work environment.

Poor team wellbeing can have a wide range of negative impacts on a business. These can range from decreased productivity and increased absenteeism to higher turnover rates and reduced employee engagement.

## Physical health

Physical health refers to the state of one's body, including the absence of illness, pain or injury. It encompasses physical fitness, proper nutrition and adequate sleep. Good physical health can contribute to a positive outlook, improved energy levels, and reduced stress in employees.

Despite its importance, many misconceptions exist about physical health and wellbeing. Physical health is often considered as solely about being free from illness or injury. In reality, it encompasses much more, including the proper functioning of the body and the ability to engage in physical activity. Examples of ways to maintain good physical health include regular exercise, eating a balanced diet, getting enough sleep, avoiding harmful substances like tobacco and excessive alcohol, and managing stress. Individuals can enhance their overall quality of life, minimize their risk of chronic disease, and boost their energy levels by concentrating on physical health and wellbeing, allowing them to be more active and involved in their personal and professional lives.

Physical health and employee wellbeing are closely linked. Poor physical health can lead to issues like decreased energy, negatively affecting an individual's ability to perform well at work. Conversely, poor mental wellbeing from factors such as stress can lead to physical health issues like headaches, fatigue and sleep problems, and this may then further exacerbate the cycle of poor health. This highlights the importance of addressing both physical and mental health in the workplace as both are essential for overall employee wellbeing and job performance.

# Mental health

Mental health incorporates an individual's emotional, psychological, and social wellbeing, including self-esteem, resilience, and the ability to manage stress and navigate life's various challenges. Good mental health is essential for a positive outlook, strong relationships and a sense of purpose.

Additionally, some people may be reluctant to seek help for mental health issues due to stigma or a lack of understanding about mental health, when in fact, seeking support is a sign of strength.

Emotional wellbeing can be strengthened through proactive means. Some everyday steps people can take to maintain good mental health includes support from friends and family, engaging in physical activity, practicing mindfulness and relaxation techniques, and seeking professional help if needed.

By prioritizing mental health and wellbeing, individuals can improve their overall quality of life, reduce their risk of mental health problems, and increase their resilience and ability to manage stress.

Mental health and employee wellbeing are interconnected. Poor mental health can lead to decreased productivity, increased absenteeism, and decreased job satisfaction. On the other hand, a supportive work environment that promotes mental wellness can lead to increased job satisfaction, better physical health, and improved overall wellbeing. This highlights the importance of supporting employee mental health as it plays a critical role in overall wellbeing and job performance.

# Emotional health

Emotional health involves the ability to manage and express emotions in a healthy and adaptive manner, build positive relationships with others, and have a sense of purpose. Good emotional health contributes to mental resilience, a positive outlook, strong relationships, and the ability to navigate life's challenges.

Examples of ways to maintain good emotional health include seeking support from friends and family, practicing mindfulness and relaxation techniques, engaging in physical activity, and seeking professional help if needed. By prioritizing emotional health and wellbeing, individuals can improve their overall quality of life, increase resilience to emotional difficulties, and increase their ability to build positive relationships and navigate life's challenges.

In the workplace, employee emotional health is an essential aspect of overall wellbeing and job performance. Lower emotional wellbeing can lead to decreased job satisfaction, increased stress and burnout, and a decline in job performance. But employers that foster a work environment that prioritizes emotional health can improve employee job satisfaction, physical health, and overall wellbeing.

# Burnout

According to Mayo Clinic, Job burnout is a special type of work-related stress—a state of physical or emotional exhaustion that also involves a sense of reduced accomplishment and loss of personal identity.<sup>5</sup> Ignored or unaddressed job burnout can result in a range of negative consequences, including excessive stress, fatigue, insomnia, mood swings, sadness, anger, or irritability, potential misuse of alcohol or substances, and an increased risk of health problems like heart disease, high blood pressure, and type 2 diabetes. Additionally, burnout can weaken an individual's immune system, making them more vulnerable to illnesses.

A growing body of evidence highlights the negative impact of burnout on organizations, including increased employee turnover and higher costs associated with recruitment and training of new hires. The global phenomenon of high employee turnover—sometimes referred to as the Great Attrition—highlights these costs, while hidden costs to employers, such as absenteeism, lower employee engagement, and decreased productivity also contribute to the overall negative impact of burnout in the workplace.<sup>6</sup>

A recent Deloitte study found that an alarming 77% of professionals, including 84% of millennials, have experienced burnout in their current job, with 51% reporting multiple occurrences of burnout.<sup>7</sup> This had a significant impact on work quality, with 91% of respondents indicating that it negatively affected their work. Despite these high figures, many professionals feel their employers are not taking sufficient action to address the issue with 70% of responders reporting that they did not feel their employer was effectively preventing or alleviating burnout in the workplace.

5 Mayo Clinic (2023). Job Burnout: How to spot it and take action

6 McKinsey & Company (2022). Addressing employee burnout: Are you solving the right problem?

7 Deloitte (2018). Workplace Burnout Survey.

# What is the cost of poor wellbeing?

# 3

Poor employee wellbeing can have high costs for organizations, but the literature has often failed to demonstrate what the measurable impact employee health is on an organisation. This white paper aims to address this by taking a closer look at the real impacts of poor employee wellbeing and quantifying them in concrete, financial terms.

Poor employee wellbeing can have a wide range of impacts on a business, including:



**Low engagement:** a lack of interest and enthusiasm in work, leading to lower productivity and reduced satisfaction with work.



**Higher employee turnover ('churn'):** an increased rate of employees leaving the organization, which can be costly and disruptive to the business.



**Higher absenteeism:** an increase in the number of days employees are absent from work, leading to decreased productivity and increased costs.



# Cost of low engagement

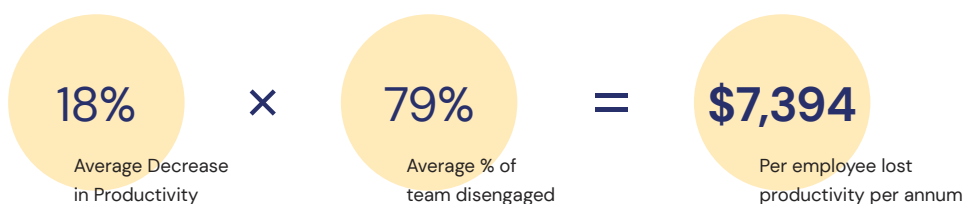
Employees who are not engaged in their work are less productive, less motivated, and less likely to feel satisfied with their job.

A 2022 Gallup survey of employees across 160 countries revealed that only 21% of workers are engaged at work.<sup>8</sup> Globally, this is costing over \$7.8 trillion annually in lost productivity.

Employees exhibiting low engagement may frequently disengage from their work, lack motivation, or have a poor attitude towards their job. A recent global survey of 50,000 employees showed that highly engaged companies outperformed their competition 71% of the time, growing their performance three times faster.<sup>9</sup> Low engagement, on the other hand, was linked to lower operating incomes (32.7%) and slower growth (19.2%), according to a report commissioned by the UK government on enhancing performance through employee engagement.<sup>10</sup> Deloitte

found that engaged workers are 57% more effective, 87% less likely to leave, and result in company revenues 2.3 times greater than average.<sup>11</sup> A meta-analysis of 199 studies across 44 industries and 26 countries found that disengaged employees were on average 18% less productive, leading to a 60% drop in work quality.<sup>12</sup> A 2022 report by the American Psychological Association revealed that 60% of employees are negatively impacted by work-related stress, including loss of interest and motivation (26%), reduced effort at work (19%), cognitive weariness (36%), emotional exhaustion (32%), and physical fatigue (44%, a 38% increase since 2019).<sup>13</sup>

Based on the research we can summarise **low employee engagement costs an average of \$7,394 per worker, calculated from an 18% decrease in productivity due to 79% disengagement at an average salary of \$52,000.**



8 Gallup (2022). State of the Global Workplace Report

9 The Corporate Leadership Council (2021). Driving Performance and Retention Through Employee Engagement

10 D MacLeod, N Clarke (2015). Engaging for success: enhancing performance through employee engagement.

11 Deloitte (2016). Engaging the workforce.

12 Harter JK, Schmidt FL, Hayes TL. Business-unit-level relationship between employee satisfaction, employee engagement, and business outcomes: a meta-analysis.

13 American Psychological Association (2022). 2022 Trends Report.

# Cost of high employee turnover

Employee turnover, the rate at which employees leave an organization and are replaced by new hires, is a crucial metric for companies. It reflects the stability of a company's workforce and can have a major impact on its productivity, morale, and bottom-line costs. High employee turnover leads to increased expenses for recruiting, hiring and training new employees, SO Companies often monitor and analyze turnover rates to identify trends and find ways to retain valuable employees and minimize turnover costs. In addition to the direct costs, high turnover can lead to the loss of company knowledge and intellectual capital, hindering innovation and competitiveness, as well as lower morale among remaining staff and damage to a company's reputation.

Summarising the research, based on an average turnover rate of 19% and an average replacement cost of 200%, we get an average cost of approximately \$19,760 per employee, based on a \$52,000 average salary.

Employee turnover has been a growing concern in recent years. Last year in the United States, there were 4.25 million people who resigned from their jobs, a rise of 27% from the previous year's 3.3 million resignations.<sup>14</sup> According to data published by LinkedIn, the average turnover rate across all roles was 10.6%, with a range of 7.8% to 14.6%<sup>15</sup>, and SHRM and Aon have a turnover for the past few years at between 18% and 20% on average.<sup>16</sup>

According to benchmarking data by the Society for Human Resource Management (SHRM), the direct costs to hire an employee averages at \$4,700.

But the Chair of SHRM, Edie Goldberg, holds that

the true cost of replacing a single employee can be as much as 300% to 400% of their annual salary for highly skilled roles.<sup>17</sup> Research from Gallup suggests the cost of replacing an individual employee can range from 50% to 200% of an employee's salary on the conservative side, totaling between \$660,000 and \$2.6million per year for a 100-person organization.<sup>18</sup>



14 U.S. Bureau of Labor Statistics (2022). Table 4. Quits levels and rates by industry and region, seasonally adjusted.

15 LinkedIn (2022). The Jobs with the Highest Turnover Rates, According to LinkedIn Data

16 Finances Online (2023). 112 Employee Turnover Statistics: 2023 Causes, Cost & Prevention Data

17 Society for Human Resource Management (2022). The Real Costs of Recruitment.

18 Gallup (2019). This Fixable Problem Costs U.S. Businesses \$1 Trillion.

# Cost of high absenteeism

Absenteeism refers to an employee’s habitual pattern of missing work. When an employee is absent, the workload must be absorbed by others or left undone, leading to decreased efficiency and, potentially, decreased quality of work. Businesses often must pay for temporary replacement workers or pay overtime to existing employees.

The average monthly absentee rate from October 2021 to September 2022 was 2.6%, according to Statista.<sup>19</sup> However, industries with shift workers may have higher absenteeism rates, ranging from 6.4% to 10.7%, as reported by a survey by Circadian.<sup>20</sup> That same survey points out that the average cost per employee from absenteeism can be substantial, with average annual costs of \$2,650 for salaried employees and \$3,600 for hourly employees.” A comprehensive study by the Society for Human Resource Management (SHRM) points out that the total cost of paid time off as a percentage of payroll is as much as between 20.9% and 38% globally when factoring all direct and indirect costs like productivity loss.<sup>21</sup>

Taking an average absentee rate from the research of 6.6%, based on an average salary of \$52,000 we find the average absentee costs per employee per annum is \$3,432.



19 Statista (2023). Percentage of full-time workers in the U.S. absent from work for health-related reasons from 2015–2022, by month

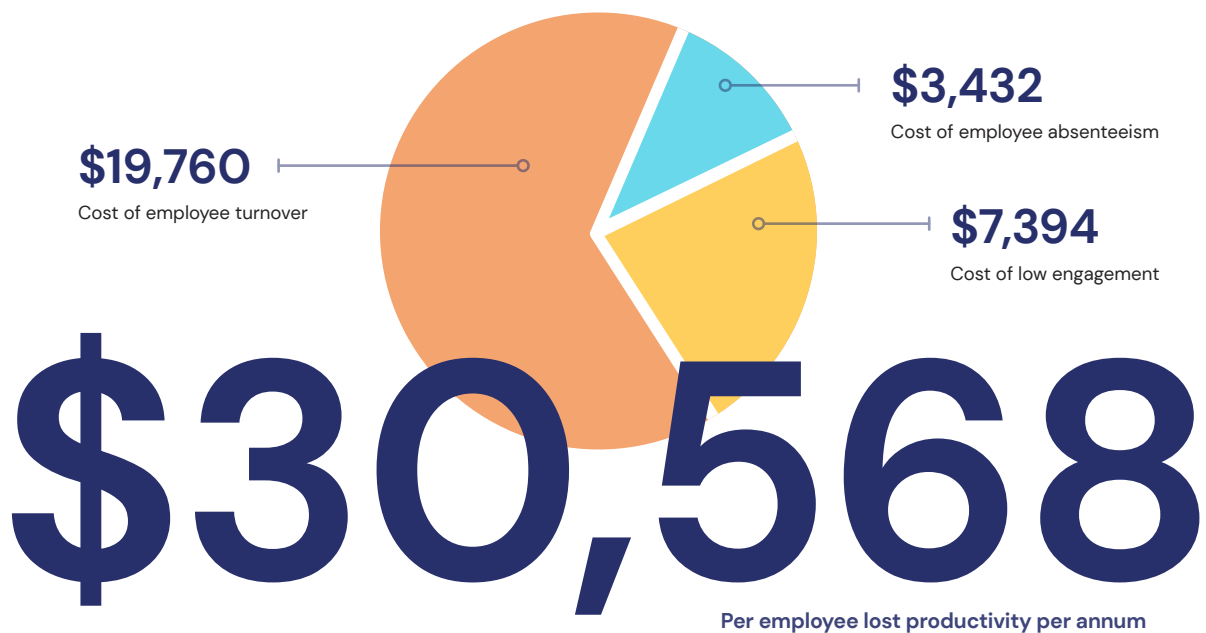
20 Circadian (2016). Absenteeism, The Bottom-Line Killer.

21 Society for Human Resource Management (2014). Total Financial Impact of Employee Absences Across the United States, China, Australia, Europe, India and Mexico

# The total cost of low wellbeing per employee

When considering all the costs above, including low engagement (productivity), employee turnover, and employee absenteeism, we get a total cost per team member of \$30,568 per annum.

Given an average employee works around 1,760 hours per year, this means that on average an organisation is losing around \$17.37 per hour, per employee.



Team Size	Cost of lost productivity per annum
100 person team	\$3,056,800
1,000 person team	\$30,568,000
10,000 person team	\$305,680,000
100,000 person team	\$3,056,800,000

# Limitations of existing employee wellbeing solutions

# 4

Many team wellbeing solutions have been developed over the years to address the challenges that workplaces face in supporting employee health. However, many of these solutions have a limited impact on overall wellness and low return on investment (ROI).

This analysis will compare research done into the most common team wellbeing solutions and discuss some of their drawbacks and limitations. By reviewing the available options and their outcomes, we aim to provide businesses with a comprehensive overview that will help them in considering the best methods of promoting team wellbeing and reducing the impact of stress and burnout in the workplace.

# Employee Assistance Programs (EAPs)

Employee Assistance Programs (EAPs) are a common solution to support team wellbeing in the workplace. EAPs typically work by offering employees confidential counselling services and resources to help them manage personal and work-related challenges. These services can include short-term talk therapy sessions with licensed therapists, referrals to community resources, and support for issues such as stress, relationship problems, financial difficulties, and substance abuse. EAPs are usually offered through an employer-sponsored benefit and may be available to employees and, in some cases, their spouses and/or dependents. The goal of EAPs is to provide employees with the support they need to overcome personal and work-related challenges and improve their overall wellbeing.

## Low utilisation rates

Employee Assistance Programs often have incredibly low utilization rates. Despite being available, some employees may not be aware of the EAPs or feel uncomfortable using them. This can limit the effectiveness of the program, and result in decreased productivity, increased absenteeism, and a general sense of unhappiness among employees. A 2018 report by the Washington, D.C.-based National Business Group on Health found that the median utilization of EAPs by employees was only 5.5%.<sup>22</sup> This low utilization means many businesses may be wasting a significant amount of money while failing to meaningfully affect most of their team's mental wellbeing.

## Reactive and limited impact

EAPs can be limited in impact due to their reactive nature and "one size fits all" approach. EAPs often only come into play when an employee is already struggling with the issues in their life and may not provide proactive support to help employees maintain their wellbeing.<sup>23</sup> Additionally, the standardized offerings of EAPs may not adequately address the unique needs and circumstances of individual employees, limiting their effectiveness. Companies utilizing EAPs may need to consider additional complementary strategies to ensure their employees have the support they need to maintain their wellbeing.

<sup>22</sup> Society for Human Resource Management (2019). Companies Seek to Boost Low Usage of Employee Assistance Programs

<sup>23</sup> Australian Institute of Health & Safety (2020). Mental health in the workplace: moving from reactive to proactive

## Lack of flexibility and personalization

EAPs can lack flexibility and personalization. Participants often do not have the ability to choose their therapist, which can make it difficult to establish a rapport and feel comfortable during sessions. Scheduling can be a struggle as participants may be unable to find a convenient time for appointments and session quantity is often capped, sometimes at just three sessions, which may not be enough to fully address an individual's mental health needs. EAPs may also not be easily accessible for some individuals due to a central location, which does not work for all businesses. This lack of personalization and flexibility can make it difficult for all employees to fully utilize and benefit from EAP services.

## Low perceived (or actual) confidentiality

Perceived confidentiality of EAPs by employees can present a significant barrier to those who would otherwise benefit from their support. The psychological nature of a confidential service can create fears and uncertainty as employees may worry that the information they share will not be kept private. These fears are compounded by the fact that EAPs may be contracted through a third-party provider, and employees may not have a strong enough relationship with the provider to feel assured of their confidentiality. Additionally, EAPs may be required to report certain types of information, such as rule-breaking or illegal activity, to the employer, which can lead to a conflict of interest. Furthermore, some employees may be concerned about their coworkers finding out what was discussed in their EAP sessions, as in many set-ups, the counsellor is seeing other employees from their workplace. Despite these challenges, clear communication from companies about their confidentiality policy can help mitigate these concerns and build trust between employees and EAPs. However, it is important to note that there may still be some lingering negative perceptions and differences in confidentiality policies between individual EAPs due to the nature of the employer-centric arrangement.

# Employer Sponsored Health Insurance (ESI)

Health insurance policies are designed to provide financial protection to employees and their families in case of medical emergencies or illnesses. They are used as a perk by companies to attract and retain talent and are to demonstrate that the employer cares about the wellbeing of their employees. However, despite the benefits that health insurance policies offer, they may provide limited effectiveness in improving the overall health outcomes of employees when factoring in high premiums, excluded coverage, and out-of-pocket expenses.

## Lack of choice and flexibility

Offering health insurance policies to employees can be a one-size-fits-all approach, which may not be suitable for everyone. Not all employees will want this benefit, and it may not be the best option for their specific needs. Some employees may already have pre-existing conditions or other insurance coverage, making the company's insurance policy redundant. Others may face challenges when transferring coverage from one policy to another, which can result in gaps in coverage or higher costs. Additionally, some employees may prefer to invest in their overall wellbeing and health, rather than relying solely on insurance. This may include activities such as exercise, healthy eating, and stress management. By taking a one-size-fits-all approach to health insurance benefits, organizations may be missing the opportunity to meet the diverse needs of their employees and support their overall wellbeing.

## Inadequate cover

According to a survey of 8,000 respondents in 2022, 29% of working-age adults with employer coverage were inadequately insured in 2022.<sup>24</sup> Coverage that is unaffordable or insufficient can harm enrollees' physical, as well as financial, health. A 2019 survey conducted by the Kaiser Family Foundation and the Los Angeles Times found that 33 percent of people with ESI "put off or postponed" needed care due to cost, and 18 percent did not fill prescriptions, rationed doses, or skipped doses of medicine.<sup>25</sup>

24 The Commonwealth Fund (2022). The State of U.S. Health Insurance in 2022

25 Kaiser Family Foundation (2019). Kaiser Family Foundation/LA Times Survey Of Adults With Employer-Sponsored Insurance



## Hidden expenses and affordability

Over the past decade, ESI premiums have risen above the rate of inflation and have outpaced wage growth.<sup>26</sup> With the challenges employers face in containing rising prices in ESI, many business leaders believe the cost is not sustainable.<sup>27</sup> Premiums for ESI have also risen steadily for both individual and family coverage. According to the 2022 Kaiser Family Foundation Employer Health Benefits Survey, individual coverage premiums rose 58%, from an average of \$5,049 annually in 2010 to \$7,911 in 2022.<sup>28</sup> Over the same period, family coverage premiums rose more than 63%, from \$13,770 to \$22,463.72.

Deductibles are another mechanism that employer-sponsored plans have used to reduce insurance premiums to secure lower prices for care. The percentage of plans with a deductible rose from 78% in 2010 to 89% in 2021.<sup>29</sup> The amounts of these deductibles have risen dramatically among firms of all sizes with the average deductible for a single coverage plan nearly doubled in the last decade, from \$1,025 in 2010 to \$2,004 in 2021.

A survey of ESI customers found that 2 in 5 adults covered by ESI reported difficulty affording medical care, prescription drugs, or premiums,<sup>30</sup> and many people with ESI coverage say that costs have prevented them from seeking needed medical care or making financial decisions to account for the rising costs that put individuals and families in a worse position, including taking on additional credit card debt or reducing contributions to retirement savings to cover premiums.<sup>31</sup> As premiums rise, the cost of health insurance grows as a share of total compensation, cutting into employees' take-home pay.<sup>32</sup>

## No impact on day-to-day wellbeing

Health insurance policies for staff are seen as a way of protecting employees in case of serious injury or illness, but insurance coverage is usually reserved for treatment while doing little to promote the day-to-day wellbeing and engagement of employees. In fact, they can sometimes even be seen as a negative as employees struggle to navigate complicated insurance policies which may mean they are not optimizing their coverage. To truly support the health and wellbeing of employees, organizations need to take a more holistic approach that goes beyond just offering health insurance policies. This can include promoting healthy lifestyles, creating a positive work environment, and offering support for mental health and wellbeing.

26 Mercer (2022). Health benefit cost growth will accelerate to 5.6% in 2023, Mercer survey finds

27 Urban Institute (2020). Estimating the Impact of a Public Option or Capping Provider Payment Rates

28 Kaiser Family Foundation (2022). Employer Health Benefits Survey

29 Keenan and Miller (2022). Trends in Health Insurance at Private Employers, 2008–2021

30 Kaiser Family Foundation (2019). Kaiser Family Foundation/LA Times Survey Of Adults With Employer-Sponsored Insurance

31 The Commonwealth Fund (2022). The State of U.S. Health Insurance in 2022

32 Peterson KFF Health System Tracker (2019). Tracking the rise in premium contributions and cost-sharing for families with large employer coverage

# Employee Wellness Programs (gym memberships, health clinics, etc.)

Employee wellness programs are initiatives aimed at promoting the overall health and wellbeing of employees.

These programs can take many forms, including health fairs, wellness workshops and on-site fitness classes. The goal of employee wellness programs is to create a supportive environment that encourages employees to prioritize their health and provides them with the resources and support they need to make positive changes.

High-level benefits of employee wellness programs include increased productivity, reduced absenteeism and improved employee morale and engagement. But despite their benefits, employee wellness programs can also be limited in their effectiveness and return on investment (ROI) due to low employee participation and buy-in, poor program design, and limited access for some staff based on location.

## Employer guesses = low utilization

Choosing the right employee wellness programs can be a challenge for employers. With so many competing interests and options, often businesses essentially have to guess which programs will be most effective and wanted by their staff. The wrong choice from the employer can lead to low engagement from employees in the programs being offered, and to wasted time and resources, as programs that are not well-received may not deliver the desired outcomes, resulting in an inflated cost per user due to low turnout.

Wellness programs such as gym memberships or health assessments can be a too one-dimensional approach to employee wellbeing and therefore have limited impact. According to a study by the National Institute for Occupational Safety and Health (NIOSH), only 37% of workers who participated in wellness programs saw improvements in their overall wellbeing<sup>33</sup>. This demonstrates that many employees are under-served by wellness programmes, and would benefit from a different approach to health investment.

33 National Institute for Occupational Safety and Health. (2016). Total Worker Health Program.

## Limited access

One factor that makes selecting the correct EAP difficult is access. Programs that are only offered during working hours may not be accessible to employees who have different schedules or who work remotely, while programs that require employees to travel to a specific location may not be feasible for those who live far away or who have transportation constraints. These limitations can reduce employee engagement and participation and may result in lower utilization of the programs. To address these challenges, employers need to consider the accessibility and flexibility of their wellness programmes and engage with programs that are inclusive and convenient for all employees.

## One dimensional = limited impact

Wellness programs can often be one-dimensional and focused on only one aspect of health, neglecting other important areas of holistic health that might be vital to the employees using their services. A wellness programme with a strong focus on physical health may neglect to consider mental, emotional, and social health. Employees may miss opportunities to nurture their health holistically, especially if they are under-supported in other areas.

# Wellbeing Apps

The market for employee wellbeing solutions has exploded in recent years, with a multitude of apps and services being offered to businesses. These can provide employees with resources and tools to manage their mental and physical health, such as meditation exercises, sleep tracking, and mental health assessments. But despite their initial popularity, many of these solutions struggle to provide long-term utilization and effectiveness.

## Utilisation and efficacy

Research into the effectiveness of mental health apps is lacking, and the majority have no evidence of efficacy.<sup>34</sup> Research looking at randomized controlled trials of mobile app mental health interventions with almost 50,000 patients found no convincing evidence that any mobile app intervention greatly improved outcomes related to people's anxiety, depression, smoking or drinking, thoughts of suicide, or feelings of general wellbeing.<sup>35</sup>

Studies point to high attrition rates and poor rates of sustained engagement among mental health apps.<sup>36</sup> One review of 32 digital mental health interventions found that 39% of studies reported attrition rates of over 20%.<sup>37</sup> This may be due to a lack of sustained engagement and motivation to continue using the app, a lack of tangible results, or a decrease in novelty for users, with many users simply forgetting to use the app once it becomes less of a priority in their daily routine.

## One-dimensional approach = limited impact

Wellness apps tend to focus on specific aspects of wellbeing, making them limited in their overall impact on an individual's health. For example, while there are many apps in the marketplace offering curated wellness resources and mood check-ins, these do nothing for an individual's physical health. Moreover, every person's needs and preferences are unique, and what may work for one person may not work for another. For example, some people may prefer in-person therapy to address their mental health, while others may find meditation apps more helpful or applicable to their situation. Therefore, it is important to keep in mind that wellness apps, despite their popularity and convenience, may not be suitable for everyone and are best used as one tool among many to support overall wellbeing.

34 Marshall JM, Dunstan DA, Bartik W (2020). Clinical or gimmickal: The use and effectiveness of mobile mental health apps for treating anxiety and depression.

35 Goldberg SB, Lam SU, Simonsson O, Torous J, Sun S (2022). Mobile phone-based interventions for mental health: A systematic meta-review of 14 meta-analyses of randomized controlled trials.

36 Koh, Tng and Hartanto (2022). Potential and Pitfalls of Mobile Mental Health Apps in Traditional Treatment: An Umbrella Review

37 Garrido et. al (2019). What Works and What Doesn't Work? A Systematic Review of Digital Mental Health Interventions for Depression and Anxiety in Young People

# Employee Perks, Rewards and Cash Bonuses

Employee perks and cash bonuses, often offered to reward good behaviour and improve employee wellbeing, can provide short-term employee happiness, but may not result in an improvement in employee wellbeing as there is no guarantee that the perks or bonuses will be used in a way that positively contributes to the recipient's wellbeing. Given that cash bonuses are generally treated as a normal part of remuneration, not wellness spending, it is not surprising that the majority of funds will be spent on non-wellness related products and services.

## Doesn't affect wellbeing

Cash bonuses and perk platforms may seem like a way to reward and incentivize employees but can often come across as impersonal and have limited impact on the overall wellbeing of staff. These incentives fail to address the underlying causes of employee dissatisfaction and may even cause resentment or frustration among employees who feel that their efforts are not being properly acknowledged or valued, or their issues addressed. In contrast, programs and initiatives focussed on promoting the overall wellbeing of employees and creating a positive work environment are more likely to have a lasting and meaningful impact on employee satisfaction and engagement.

## Incentives alignment

In terms of performance, despite common perceptions, at least two dozen studies over the last three decades have conclusively shown that people who expect to receive a reward for completing a task or for doing that task successfully simply do not perform as well as those who expect no reward at all.<sup>38</sup>

The implementation of employee perks and bonuses can have unintended consequences for employers. For example, if the bonuses are tied to specific performance targets, employees may be incentivised to focus on the wrong goals or neglect other important aspects of their job. In addition, not all employees will value the same perks, so some employees may feel left out or disadvantaged.

38 Harvard Business Review (1993). Why Incentive Plans Cannot Work

## Wellbeing allowances

Wellbeing allowances are an innovative approach to employee wellbeing that have become increasingly popular in recent years. They provide employees with a set amount of funds or benefits specifically designated for their personal health and wellness. These allowances can be spent on a variety of health and wellness initiatives, such as gym memberships, nutritionists, mental health resources (e.g., therapy sessions or mindfulness courses), stress management programs, or physical activity services and products. By giving staff the resources and support to prioritize their wellbeing independently, businesses can foster a positive and healthy work culture, which in turn boosts employee morale and motivation. Ultimately, this leads to a win-win situation for both the employees and the company.

### Personal choice ensures high impact.

Wellbeing allowances differ from traditional company benefits in that they offer individuals the freedom to choose the products and services that best meet their specific needs. This personalized approach contrasts with traditional benefits, which may have lower utilization due to a lack of choice and the inability to customise. With wellbeing allowances, individuals are empowered to make informed decisions about their own health and wellbeing, leading to higher utilization and a greater impact on their overall wellbeing.

### Employees feel valued

Traditional employee wellbeing solutions can fail to recognize employees' uniqueness. This "one-size-fits-all" approach can make employees feel invisible and undervalued. In contrast, wellbeing allowances offer a personal and individualized solution that demonstrates the company's trust in the employees to make informed decisions about their own health and wellbeing. This approach lets employees know that their company cares about them as an individual, fostering a sense of connection and engagement between employees and their employer.

### A holistic approach to wellbeing

Wellbeing allowances provide employees with the opportunity to invest in their physical, mental, and emotional health, enabling a comprehensive approach to improving overall wellbeing. Unlike traditional employee wellbeing solutions that tend to focus on one aspect of health, such as physical health, wellbeing allowances allow employees to address multiple dimensions of their health and wellbeing. This multi-dimensional approach results in a much greater impact on overall wellbeing, as users are able to choose the products and services that best meet their unique needs and preferences. By investing in their overall health in a way that makes sense to them, employees can improve their health and quality of life, leading to increased job satisfaction and performance.

# Return on investment (ROI) of Wellbeing Allowances

# 5

## 1.5X – 6X return on investment

According to Deloitte, investment in proactive wellbeing measures (like wellbeing allowances) provides organisations on average with a 5:1 ROI, compared to only a 3:1 ROI for reactive measures like EAP.<sup>39</sup>

After reviewing multiple studies, the Society for Human Resource Management identified that most companies see between a \$1.50 to \$6.00 ROI on every \$1.00 invested into employee wellness programs.<sup>40</sup> This level of ROI was confirmed in another study which also found that the ROI on employee wellness programs can be as high as 6 to 1.<sup>41</sup>

Gallup have identified that business or work units scoring in the top quartile of their organization in employee engagement more than double their odds of success (based on a composite of financial, customer, retention, safety, quality, shrinkage and absenteeism metrics) when compared with those in the bottom quartile. Those at the 99th percentile have nearly five times the success rate of those at the first percentile.<sup>42</sup>

39 Deloitte (2020). Mental health and employers. Refreshing the case for investment.

40 The Society for Human Resource Management (2015). The Real ROI for Employee Wellness Programs.

41 Berry, Mirabito, Baun (2010). What's the Hard Return on Employee Wellness Programs?

42 Gallup (2022). Employee Engagement vs. Employee Satisfaction and Organizational Culture

# Productivity and performance

Gallup observed that engaged business units and teams on average see an 18% increase in productivity and a 23% increase in profitability.<sup>43</sup> According to Harvard University and MIT, engaged teams are 31% more productive and achieve revenues 37% higher than their non-engaged counterparts.<sup>44</sup> The report also identified additional benefits to organisations, including a 19% reduction in production errors and a 55% increase in team creativity. Another study demonstrated that employees who are most committed perform 20% better.<sup>45</sup> The majority of businesses surveyed by International Foundation of Employee Benefit Plans identified that they observed increased productivity following the introduction of wellbeing measures.<sup>46</sup>

This has an observable impact on revenue. Deloitte revealed that organizations with highly engaged employees were 57% more effective and experienced a 3-year revenue growth rate 2.3 times greater than average.<sup>47</sup> Another report identified that companies with high levels of employee engagement improved 19.2% in operating income while companies with low levels of employee engagement declined 32.7% over the study period.<sup>48</sup> In another report, 71% of businesses with above-average employee commitment achieved above-average performance results.<sup>49</sup>

# Reduced employee turnover

Employees feel more valued and are more likely to take and stay in a job that offers other benefits in addition to salary. This was confirmed in a Glassdoor survey which identified that 79% of employees prefer new or additional benefits to a pay increase.<sup>50</sup> In Gallup's study, they identified that employee turnover ('churn') decreases by between 18%–43% in organisations with engaged teams.<sup>51</sup> Research has shown that 79% of employees are likely to stay at a company that provides high-quality mental health resources.<sup>52</sup> According to Corporate Leadership Council, engaged employees are on average 87% less likely to leave their organization<sup>53</sup>. This was further confirmed by a Deloitte study where highly engaged employees were shown to be 87% less likely to leave compared to low-engaged teams.<sup>54</sup>

43 Gallup (2023) What Is Employee Engagement and How Do You Improve It?

44 Harvard Business Review (2011). The Happiness Dividend.

45 Corporate Leadership Council (2004). Driving Performance and Retention Through Employee Engagement

46 International Foundation of Employee Benefit Plans (2017). Workplace Wellness Trends 2017

47 Deloitte (2016). Engaging the workforce.

48 MacLeod & Clarke (2015). Engaging for Success: enhancing performance through employee engagement

49 Corporate Leadership Council (2004). Driving Performance and Retention Through Employee Engagement

50 Glassdoor (2015). Glassdoor Employment Confidence Survey (Q3 2015)

51 Gallup (2023) What Is Employee Engagement and How Do You Improve It?

52 Modern Health (2021). Shifting Tides: Changing Attitudes About Mental Health Care and the Workplace

53 Corporate Leadership Council (2004). Driving Performance and Retention Through Employee Engagement

54 Deloitte (2016). Engaging the workforce



## Reduced absenteeism

Furthermore, engaged teams on average experience an 81% decrease in absenteeism.<sup>55</sup> On average, absenteeism costs fall by about \$2.73 for every dollar spent on wellness programs.<sup>56</sup> The International Foundation of Employee Benefit Plans revealed the majority of employers saw a decrease in absenteeism following the introduction of wellness efforts.<sup>57</sup>

## Total return on investment

Taking into account this research, we can calculate a likely ROI for an employer implementing a proactive wellbeing solution like a wellbeing allowance as below:

	Average annual loss per employee		Demonstrated improvement on teams receiving wellbeing allowances
Engagement + Productivity	\$7,394	25%	\$1,848
Employee turnover	\$19,760	30%	\$5,928
Absenteeism	\$3,432	81%	\$2,780
	<b>\$30,279</b>		<b>\$10,556</b>

Taking a mid-range ROI based on the research, we can expect to see an ROI of around \$10,556 per employee after implementing a proactive wellbeing initiative such as a wellbeing allowance.

If a business provided an allowance of \$2,000 per annum per employee, this would provide a ROI of 5:1, which coincides precisely with Deloitte's research.

55 Gallup (2023) What Is Employee Engagement and How Do You Improve It?

56 Baicker K, Cutler D, Song Z (2010). Workplace wellness programs can generate savings.

57 International Foundation of Employee Benefit Plans (2017). Workplace Wellness Trends 2017

# Summary

Employee wellbeing isn't an issue we can solve, only improve on. While there are many solutions businesses can implement, each has benefits and limitations. It is important for businesses to understand the pros and cons of each in order to make informed decisions around which will be most effective for their organization.

When we look at the research however, one approach is superior to all others. Wellbeing allowances are both flexible and proactive, making them the leading corporate wellbeing solution available today. They offer a comprehensive approach to promoting employee health and happiness, resulting in a positive impact on both the individual and the organization. With their unique blend of incentives and support, wellbeing allowances provide a strong return on investment for companies that are serious about investing in their employees' wellbeing.

Not only do wellbeing allowances outperform other solutions in terms of their impact, but the research would suggest that they are likely to deliver considerable financial returns to an organisation. With a wide range of customisable options, companies can tailor their allowances to meet their specific needs and goals. They can aid employees across multiple axis, from encouraging healthier habits, reducing stress, or supporting a more balanced work-life balance. Wellbeing allowances have a proven track record of success and are the most effective method for improving employee wellbeing.

# About Givenwell

Givenwell is the solution that businesses have been looking for when it comes to promoting employee wellbeing. Our automated platform makes it simple and convenient for companies to offer wellbeing allowances to their staff, giving them access to a wide range of curated wellness providers.

With the Givenwell platform, businesses can easily monitor the utilization of their allowances and get access to anonymized reports and statistics that provide valuable insights into the impact of their investment in employee wellbeing.

At Givenwell, we believe in the power of wellness to improve the lives of employees and drive positive change in the workplace. Our platform is designed to make it easy for businesses to provide the support their employees need to be happy, healthy, and productive. Whether you're looking to reduce stress, improve work-life balance, or simply show your staff that you care, Givenwell is the solution that can help you achieve your goals.

To learn more about how Givenwell can help you invest in employee wellbeing visit [www.givenwell.com](http://www.givenwell.com)