

EMPLOYEE WELLNESS: INDIVIDUALIZING PRODUCTIVITY

January 2017

Author: Zachary Chertok
Research Analyst, Human Capital Management

Report Highlights

p2

The Best-in-Class focus on growing productivity throughout their company, rather than focusing on reducing labor costs.

p4

27% of Best-in-Class companies felt that employee wellness platforms are valuable toward performance improvements, positively influencing productivity.

p6

Best-in-Class companies have increased their use of wellness programs by 11%.

p8

Best-in-Class companies find that the availability of employee wellness resources improves retention.

The increasing need for employees to self-manage more tasks has caused an increase in stress levels. Increasing stress levels are endangering workplace productivity while disconnecting employee achievements from management goals and objectives. Employee wellness solutions are emerging as a new form of key performance indicator to address these challenges.

2

Employee well-being is emerging as a new form of KPI to analyze and drive employee productivity.

For the purposes of this analysis, HR practitioners and procurement executives across a wide array of roles, industries, and company sizes were surveyed about their pressures, actions, capabilities, and enablers about the establishment of their HCM goals and strategies. The responses were evaluated according to 5 metrics asked about with metric-based weights including the following:

- Improvements in revenue per FTE in the last 12 months
- Improvements in quality of performance reviews in the last 12 months
- Attraction rate of high potential candidates
- Retention rate of high potential candidates

Senior management is placing more pressure on employees to self-manage their contributions to the workplace. This can create additional stress on employees, which can influence their productivity. In this paper, we'll cover how managers can better align their company goals to include wellness programs and initiatives to help employees manage stress.

Shifting Management Downstream

As employers struggle to improve employee performance quality and incentivize higher levels of engagement, employee wellness and well-being programs are emerging as new productivity drivers that can proactively improve downstream productivity.

In [Analyze This: Workforce Productivity](#) (September 2016), Aberdeen concluded that labor management strategies are changing toward a more 'bottom-up' approach. This means starting with the individual contributor and potentially adding additional stress levels. As part of this shift, employers are moving away from cost-quantification efforts that focus on reducing labor costs, and are beginning to focus on incentivizing worker participation resulting in greater engagement, goal achievement, more innovative thinking, and increased commitment to the workplace.

In a 2016 survey, Aberdeen has found that Best-in-Class companies are 66% more likely to focus on growing productivity throughout their company, rather than focusing on reducing labor costs. 73% of Best-in-Class companies are also focused on improving management effectiveness while 71% are focused on increased levels of innovation coming up from the shop floor. Companies are focused on empowering their employees more now than ever in both decision making and task management, but this can stress employees leading to a potential in loss in productivity.

3

Aberdeen defines “self-manage” or “self-management” as the ability to be given a set of goals without being given a distinct set of steps in how to achieve the goals. The employee defines how the goals are reached and sets out to achieve them.

48% of Best-in-Class companies saw year-over-year employee turnover increase by at least 10% cumulative of voluntary turnover and layoffs and firings.

Shifting Business Strategy

From the 1980’s through to the immediate aftermath of the financial crisis in 2008 to 2009, employers were using an ultra-lean workforce strategy. This strategy measured and quantified labor spend to reduce the risk of cost overages as a drain on company profitability. In 2010, Aberdeen found that companies were 31% more likely to increase their human capital management (HCM) technology spend to reduce operating costs than to increase workforce productivity. By 2015, the spread had reduced to a 1:1 ratio whereby organizations were investing in HCM equally to reduce operating costs and to begin increasing workforce productivity. Companies were not focused on what made individual employees valuable, thus reducing their productivity and impact on the company’s bottom line.

Between 2010 and 2015, companies began shifting their HCM strategies to focus more on the **quality** of labor because solely reducing operating costs wasn’t working and had compromised the quality of output. This resulted in a decline in overall workforce productivity.

Aberdeen’s survey data from 2010 to 2016 shows that solely managing labor costs (as companies had been doing during that time) increased employee turnover and lowered employee engagement. By early 2016 this strategy had increased employee turnover by 48% of Best-in-Class companies. It’s at this point where we see a significant shift in how companies are changing strategies so this trend doesn’t continue.

In [The Power of an Integrated HCM Ecosystem](#) (November 2016), Aberdeen also noted that while the strategic business shift to

4

27% of Best-in-Class companies found employee wellness platforms to be valuable toward employee performance improvements.

The National Wellness Institute defines “wellness” as an active process through which people become aware of, and make choices toward, a more healthy and successful life. Resources for managing wellness include:

- Personal financial management
- Basic human interactions in the workplace (for example: how to deal with bullying at work)
- Health management – which can include support in interacting with healthcare providers and managing your own personal well-being.

focus on productivity is taking place, Best-in-Class companies are integrating their top-down cost reduction methods with bottom-up workforce incentivizing to form a middle ground strategy. The middle ground strategy allows the business to measure productivity – correlating labor spend with how well employees can meet their goals. While marrying these sets of data is a good start, organizations are still struggling to identify what factors improve worker participation in business goals and objectives. For example, while 100% of Best-in-Class companies noted that their quality of performance reviews improved in the last 12 months, only 25% found that they improved in line with greater achievement of management goals and objectives. Connecting the dots, while the shift to productivity is improving overall labor quality, it is doing so on an individual employee level – not with the overall organization in mind.

Wellness as a Productivity Driver

In [Analyze This: Workforce Productivity](#) (September 2016), Aberdeen found that increased productivity has a direct impact on a company’s bottom line. In a 2016 survey, Aberdeen also found that 27% of Best-in-Class companies felt that employee wellness platforms are valuable toward performance improvements, positively influencing productivity. Organizations would be smart to invest in ways to engage their current workforce outside of financial compensation. Individualizing the workplace has created a need for managers to set individual goals for their direct employees. Managers are seeking out goals management platforms that allow them to set targets for each employee and implement rewards and recognition as incentives for delivery. Aberdeen found that 41% of Best-in-Class companies see rewards and recognition solutions as being of high importance toward increasing the quality of employee performance.

5

Putting together the value of employee wellness and rewards and recognition shows that employers using both platform capabilities are seeing the most significant improvements in revenue per FTE year over year. Best-in-Class companies were 25% more likely than All Others (100% vs. 75%) to see revenue per FTE increase in the last 12 months. Furthermore, 25% of Best-in-Class companies saw employee performance improve in line with greater fulfillment of management goals and objectives. Of the 25% of Best-in-Class companies realizing improved alignment leading to improved revenue per FTE, 92% were using wellness platforms.

The research shows that while rewards and recognition enable departmental managers to implement, track, and achieve departmental tasks and objectives, wellness is a strategic improvement factor that drives overall employee buy-in to the larger corporate objectives.

Wellness has emerged as a key measure of how employers are backing the workforce beyond compensation. Wellness platforms enable employees to have access to these additional services and resources and are a benefit. For example, if employers provide resources that help an employee navigate through a healthcare dispute, that helps to alleviate some personal stress that may be impacting their quality of work. Wellness programs also provide employers with tools to understand the pressures facing their workforce so that they can proactively offer external resources to turn down the stress and allow employees to get back to work.

Making the Case for Wellness

Figure 1: Use of Wellness Solutions 2015 to 2016

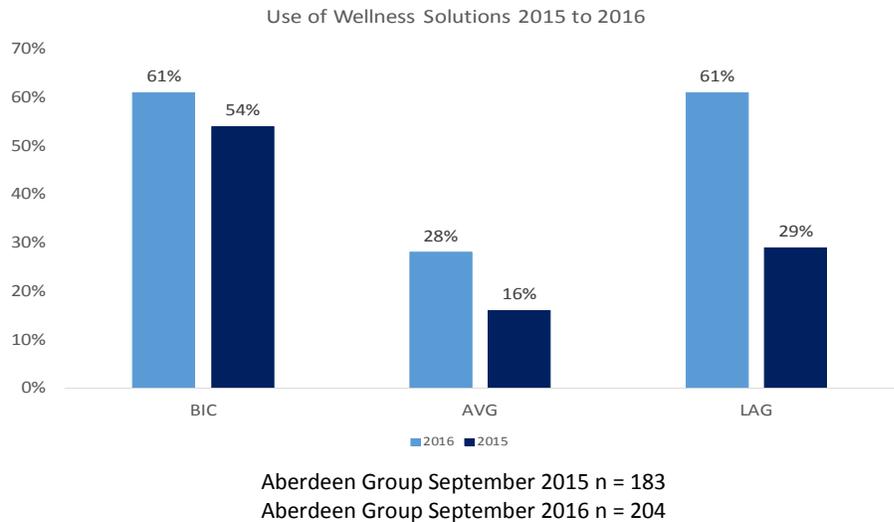


Figure 1 shows the use of wellness solutions from 2015 to 2016 across Best-in-Class companies, the Industry Average, and Industry Laggards according to Aberdeen's research methodology.

The data shows that Best-in-Class companies increased their interest in wellness heavily in 2015 leading to their strong performance in revenue per FTE and improved employee performance across 2015 and 2016. By 2016, Best-in-Class companies had increased their use of wellness by 11%, the Industry Average by 43%, and Industry Laggards by 52%.

In [The Power of an Integrated HCM Ecosystem](#) (November 2016), Aberdeen found that Best-in-Class companies are increasingly turning to a combination of HCM capabilities, unifying platform analytics and workflow optimization to create an HCM ecosystem capable of providing several sets of integration-ready data. The shift towards combining the data to and prioritizing productivity has allowed particularly Best-in-Class companies to balance out employee contributions against the payroll and compensation

7

expenditures needed to hire, retain, and drive employees to perform. In addition, it provides a more robust view of the individual employee.

Table 1: Best-in-Class Use and Expansion of HCM Functionality

Functionality	Best-in-Class Use & Expansion
Payroll Management	77%
Benefits & Compensation	66%
Employee Wellness	61%
Time & Attendance	59%
HRIS	50%
Learning Management	50%
Succession Planning	45%
Rewards Management	39%
Scheduling	30%
Behavioral Analytics	18%

Source: Aberdeen Group September 2016 n = 204

While payroll and compensation solutions dominate the HCM ecosystem field, wellness is a rising star, outpacing learning management and even rewards and recognition.

Table 1 shows the breakdown of HCM data generating tools in use by Best-in-Class companies. While payroll and compensation solutions continue to dominate the HCM ecosystem field, employee wellness is outpacing learning management and even rewards and recognition. Furthermore, Best-in-Class companies are also turning to a wellness offshoot, behavioral analytics, as a strategy to understand the data coming out of wellness platforms prior to plugging it in to the operational dashboard.

Wellness solutions go beyond reactive rewards and recognition to provide insights into what might be dragging down worker participation in internal goals and objectives. Furthermore, while top-level company goals and objectives suffer in the proverbial game of telephone on the way to becoming team or departmental goals and objectives, wellness solutions give employers the ability to enforce their mission and vision to their employees directly as a form of workforce resource investment and deployment. Using

8

Best-in-Class companies are 37% more likely than All others to find that the availability of employee wellness resources improves retention.

this as context for the link between wellness resources and improved employee performance, Aberdeen found that Best-in-Class companies are 23% more likely than All Others (25% vs. 19%) to use wellness data to shape best practices for optimized results. Creating a link between behavioral best practices and the achievement of corporate goals and objectives relieves key business pressures that otherwise undermine productivity. In other words, in addition to wellness being a source of value toward improved employee performance, employers are turning to employee well-being to identify best practices for improved organizational performance.

Wellness data identifies workforce pressures that disrupt production output of goods and services. The added use of behavioral analytics can create a very clear picture for employers on what they need to tweak or focus on to help improve productivity and employee engagement. These solutions provide direct insight into revenue-generating best practices that optimize the achievement of goals and objectives carried out through rewards, recognition, and innovation management platforms. Linking best practices to goals achievement provides a data set that can then be matched up against payroll and compensation records and can be used for reviews and performance improvements.

For employees, wellness resources demonstrate that employers have resources in place that show that they care on multiple levels, which results in increased employee engagement. They also provide employees with transparency into performance management metrics that realign general productivity improvements with the achievement of management goals and objectives. In this way, employees can be assured in their job security and importance to the greater organization while charting a viable career path in which the employer is likely to invest. Aberdeen has found that these two criteria are top reasons that employees join and stay with the organization. Consequently, Best-in-Class companies are 37% more likely than All Others (34% vs. 21%) to see improvements in employee retention through the use of employee wellness resources.

9

Adding these performance measures up points to wellness data as an added KPI for the organization. While compensation data measures labor expenditure and rewards and recognition measure goals achievement, wellness and well-being together with behavioral analytics provide two additional measures:

- A value basis for employer investment in employee resources for self-management
- A measure of the rate of change in productivity respect to employee best practices and contextual development

Recommendations

Employee wellness provides visibility into organizational productivity while constituting its own KPI for growth objectives. Aberdeen recommends the following for integrating wellness data into your HCM ecosystem:

- ➔ **Know your employees:** Implement a preliminary, internal survey to understand the challenges and pressures employees are facing both inside and outside the organization. In particular, pay attention to the diverse issues that come forward to understand how individualized your wellness resources may need to be configured.
- ➔ **Translate employee challenges:** Each set of challenges requires a different set of response criteria to maximize the employer response. Successful wellness deployments have an indirect benefit of improved employee participation in goals and objectives that comes because of reducing the pressures placed on employees by their growing responsibilities.

10

- **Identify configuration criteria:** After connecting the dots on how to resolve major employee pressures, determine what wellness resources line up with the initial set of assessed employee pressures such as financial, health, or workplace well-being.
- **Implement the solution and begin data collection:** Roll out the wellness solution as an integrated component of the existing HCM ecosystem to minimize resistance from employees. As the data comes in, ensure that senior management has direct visibility into the resulting pressures to ensure that they are designing resolutions that extend beyond individual departments to allocate company-wide spend on resolving common workplace productivity inhibitors.
- **Reassess and repeat:** Reassess the workplace for pressures information to consistently understand how wellness resources need to be reshaped or expanded to reflect the changing pressures landscape of the workforce. Repeat the identification and implementation process as needed, replacing implementation with configuration.

11

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

[The Power of an Integrated HCM Ecosystem](#);
November 2016

[Analyze This: Workforce Productivity](#); September
2016

[Strategic Compensation: A Critical Solution](#);
September 2016

[From Employee Engagement to Employee
Advocacy: A Natural Progression](#); August 2016

Author: Zachary Chertok, Research Analyst, HCM



About Aberdeen Group

Since 1988, Aberdeen Group has published research that helps businesses worldwide improve their performance. Our analysts derive fact-based, vendor-agnostic insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategy. Aberdeen Group is headquartered in Waltham, MA.

This document is the result of primary research performed by Aberdeen Group and represents the best analysis available at the time of publication. Unless otherwise noted, the entire contents of this publication are copyrighted by Aberdeen Group and may not be reproduced, distributed, archived, or transmitted in any form or by any means without prior written consent by Aberdeen Group.