



# Business Case for Organisational Wellbeing

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# Business Case for Organisational Wellbeing

## Overview

This business case argues that it makes good strategic and fiscal sense for organisations to invest in employee and organisational wellbeing. As a rough guide, every organisational dollar invested into organisational wellbeing provides a return of approximately five dollars USD (Rath & Harter, 2010) – the most solid research on this issue reports a range between three to nine dollars in return for every wellbeing dollar spent. This return is through cost savings, improved productivity, and enhanced customer service.

Underlying this return is the role that employees play in their organisations. Empirical research is confirming a strong link between employee wellbeing leading to workplace engagement, and then productivity at work, and then to subsequent better business outcomes and profitability. Across this causal chain, there are both individual and organisational benefits.

## Individual benefits

Study after study demonstrates that employees with high wellbeing are:

- more engaged
- more motivated
- more productive
- healthier (more active)
- more loyal (talent retention / less turnover)
- play more effective roles in teams
- more creative, open to innovation and ideas, and change
- display more energy at work
- provide better customer service
- less sick (fewer days away)
- recover quicker from sickness

## Organisational benefits

Similarly, study after study demonstrates that organisations with high wellbeing:

- attract top talent
- make more money
- are more resilient to change
- are more agile and flexible
- out compete their competitors

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## Why invest in wellbeing?

Up until now organisations have invested in 'wellness' and the link between physical health and engagement, utilising tools such as Health Risk Assessments and various health provisions (e.g., yoga classes, discounted gym memberships). This is a good approach that provides a return on investment, so investing in wellness is worthwhile. Wellness increases wellbeing and then engagement, however wellness is not as strong, or as comprehensive, as directly addressing wellbeing.

## Example wellbeing research

The wellbeing research literature is now quite extensive, although relatively new, and the following is a snapshot of some of the main findings and research in this area to date. Note that in most cases the relationship is bi-directional: Employees can have a significant impact on organisational wellbeing, and the workplace can, in turn, have a significant influence on employee wellbeing.

- Wellbeing increases productivity.
  - Oswald, Proto, and Sgroi (2009) reported a 12% increase in performance and productivity when an intervention to increase subjective wellbeing was used.
  - Difference in productivity between high and low wellbeing employees can be as much as 30% (Page & Vella-Brodrick, 2009; Right Management., 2009).
  - A US study found increases in employee wellbeing and engagement were associated with increases in annual per-employee productivity of more than US \$1000 (Clifton & Harter, 2003).
- Employees are unhappy. In Western countries, about half of employees are unhappy at work (Mercer, 2011).
- High wellbeing organisations make more money. Organisations with satisfied employees do better on the stock market than organisations without satisfied employees (Edmans, 2011).
- Employee satisfaction has a positive organisational impact. Greater work satisfaction and motivation is related to greater:
  - Autonomy - having control in how you do your job.
  - Mastery - doing work which is challenging but which you can accomplish and leads to a sense of competence.

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- Relatedness - feeling connected to others around you (Deci & Ryan, 2008).
  - Happiness at work is contagious. One employee's mood can influence the mood of other employees. For example, Fowler and Christakis (2009) showed that the happiness of a close contact increases the chance of a person being happy by up to 15%.
  - Absenteeism is related to negative wellbeing. Approximately 40% of absent days are due to mental health problems such as stress (Sainsbury Centre for Mental Health, 2007). Similarly, increasing employee wellbeing can reduce the cost of sick leave by 19% (Bertera, 1990).
  - High wellbeing is related to greater health and less sickness.
    - People with high psychological wellbeing are significantly less likely to catch the cold virus (Cohen, Alper, Doyle, Treanor, & Turner, 2006).
    - People with high psychological wellbeing are significantly less likely to suffer from cardiovascular disease (Boehm & Kubzansky, 2012).
    - Happier people live longer (Diener & Chan, 2011).
    - Happy workers are healthier (Waddell & Burton, 2006).
  - High employee wellbeing is related to lower turnover. Increasing happiness at work reduces the cost of employee turnover by 46% (Judge, 1993).
  - High wellbeing is related to good workplace relationships. The quality of working relationships impacts mental health (Butterworth, Leach, Strazdins, Olesen, Rodgers, & Broom, 2011).
  - Workers with higher wellbeing are promoted faster. Employees with higher wellbeing get promoted sooner (Boehm & Lyubomirsky, 2008).

### WoW's challenge

Wow challenges your organisation to invest in creating more rewarding, happier jobs for your people. First measure your employees and organisations wellbeing appropriately. As Nobel Prize winning economist Joseph Stiglitz mentioned, "What we measure affects what we do; and if our measurements are flawed, decisions may be distorted" (Stiglitz, Sen, & Fitoussi, 2009, p. 7). Use this new wellbeing information to create a positive workplace where people are able to do meaningful and enjoyable work that taps into their greatest strengths and their most important goals. Capitalise on the unique intellectual and personal strengths of each employee. Focus less on getting employees to do their work, but rather on how to enable them to do good work; their best work. Have an organisational strategy that goes beyond fixing problems and into promoting

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excellence. Make a commitment to organisational wellbeing – demonstrate through your organisations actions to your stakeholders that your organisation views its people to be its most important assets.

### Disclaimer

WoW's view of the scientific evidence is that wellbeing seems to have demonstrable, positive outcomes in the workplace. However, we acknowledge that the science is still relatively new and more replication and longitudinal, controlled studies which link wellbeing increasing interventions to metrics such as increased engagement and productivity are still needed. As such, caution is advised.

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