

Health and Well-Being Metrics in Business

The Value of Integrated Reporting

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Objective: Health and well-being (HWB) are material to sustainable business performance. Yet, corporate reporting largely lacks the intentional inclusion of HWB metrics. This brief report presents an argument for inclusion of HWB metrics into existing standards for corporate reporting. **Methods and Results:** A Core Scorecard and a Comprehensive Scorecard, designed by a team of subject matter experts, based on available evidence of effectiveness, and organized around the categories of Governance, Management, and Evidence of Success, may be integrated into corporate reporting efforts. **Conclusions:** Pursuit of corporate integrated reporting requires corporate governance and ethical leadership and values that ultimately align with environmental, social, and economic performance. Agreement on metrics that intentionally include HWB may allow for integrated reporting that has the potential to yield significant value for business and society alike.

Health has long been recognized as central to sustainable development, and workforce health may be considered important to sustainable business performance. Protection of health through occupational safety and health programs and promotion of health through workplace health and well-being efforts stand at the heart of initiatives that attempt to optimize human and organizational performance.¹⁻³ Healthy and well employees are more productive, incur less medical care costs, have lower turnover rates, and higher levels of job performance.^{1,2} Based on these observations, it stands to reason that integrated reporting should include more information on health and well-being (HWB) in order to explain to investors of financial capital how a business creates value over time.⁴ Corporate integrated reporting (defined as reporting that demonstrates how long-term value is created for shareholders) as well as sustainable development (defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs) standards have included traditional occupational health and safety disclosures, but are devoid of HWB indicators.⁴⁻⁶ Inclusion of HWB metrics into corporate reporting would support efforts by the United Nations (UN) Global Compact to translate its sustainable development goals (SDGs) into action. There is a clear business argument for the inclusion of a newly developed set of HWB metrics into existing standards for

corporate reporting. Given the need for strong social and economic arguments on the integration of HWB in corporate reporting and the observed paucity of available metrics, it is the purpose of this paper to present a succinct business argument for inclusion of such measures into existing standards for reporting on corporate performance and to propose appropriate HWB metrics that may be incorporated into existing integrated and sustainability reporting standards.

BACKGROUND AND CONTEXT

Non-Communicable Disease, Worker Health and Well-Being and Performance at Work

Four behaviors (ie, physical inactivity, poor diet, tobacco use, and harmful use of alcohol) contribute to four non-communicable diseases (NCDs) (ie, diabetes, cardiovascular diseases, cancers, and chronic respiratory diseases), which collectively account for approximately 60% of all deaths worldwide, aptly referred to as “4four60.” Among workers, low levels of adherence to the four protective behaviors has been associated with incidence of diagnosed conditions within a 2-year timeframe, poor mental health outcomes, elevated health care expenditures, and lost productivity.⁷⁻⁹ Macroeconomic global impact simulations suggest a cumulative output loss of US\$ 46.7 trillion of the combined global gross domestic product for the two decades spanning 2010 to 2030.¹⁰ From a macroeconomic perspective, physical inactivity alone is conservatively estimated to account for \$53.8 billion related to health care systems costs and physical inactivity related deaths contributed to \$13.7 billion in productivity losses in 2013 worldwide.¹¹ Hence, both NCDs and their risk factors generate a significant economic burden for society and for employers in the form of medical care costs and productivity loss.

Systematic reviews of workplace-based interventions have shown evidence of effectiveness in addressing various risk factors for NCDs with outcomes in health care services use and worker productivity domains.¹² When companies are recognized for their intentional and documented efforts to successfully create a workplace culture of health and safety, financial modeling studies indicate that they are more likely to outperform the market at large based on stock market performance. A 2013 study by Fabius et al³ tracked performance on the Standard & Poor 500 Index (S&P 500) for a group of health and safety award winners using a hypothetical investment between 1999 and 2012 based on four investment portfolios. Results indicated these companies outperformed the average S&P 500 by 3.03% to 5.3% annually. Results from an additional set of studies confirmed these findings both in the United States^{13,14} and in South Africa where the annualized return over a 10-year period was 22.7% for the award-winning companies and 18.2% for the All Share Index as the benchmark market performance on the Johannesburg Stock Exchange.¹⁵ Disease prevention, injury protection, and promotion of HWB appear to generate significant corporate value. Other efforts to identify and propose metrics suitable for integration of safety, health, and well-being in the workplace include a report by Loeppke et al¹⁶ that compared various metrics available across the industry and proposed a measurement tool modeled after the American College of Occupational

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and Environmental Medicine's Corporate Health Achievement Award measurement tool. This proposed measurement model could translate health and safety metrics into business value using the Dow Jones Sustainability Index as an exemplar. In addition, a recent report describing a new tool, designed by the Harvard Center for Work, Health, and Well-Being to measure integration of safety and health,¹⁷ shows promise when considering practical application of measurement in the context of the workplace.¹⁸

Subjective well-being represents a broad category of phenomena that includes people's emotional responses, levels of satisfaction in various domains, and global judgments of life satisfaction.¹⁹ Longitudinal data indicate that change in employee well-being is a strong predictor of change in productivity.² Well-being represents a meaningful policy goal that is relevant to defined populations, corporations, and society-at-large.²⁰

Corporate Sustainability and Performance

Eccles et al²¹ have performed research on "high sustainability companies" and found that they significantly outperform their counterparts over the long-term. Based on an analysis of 180 companies, they found that sustainable firms generate significantly higher profits and stock returns. A more engaged workforce, a more loyal and satisfied customer base, better relationships with stakeholders, greater transparency, a more collaborative community, and a better ability to innovate are some of the factors they list as contributing factors to obtain this competitive advantage. In terms of measurement and disclosure, they state the following: "Reporting on performance measures, which are often non-financial regarding sustainability topics, to the board is an essential element of corporate governance, so that the board can form an opinion about whether management is executing the strategy of the organization well."²¹

Standards in Corporate Reporting

A wide range of reporting instruments are used by organizations to report or disclose sustainability-related information. In fact, the number of reporting instruments has almost doubled since 2013, from 180 to 383 instruments, and these are being used in 64 countries.²² These instruments are used to support corporate reporting on financial, sustainability, social responsibility, integrated, and regulatory reporting and include both mandatory and voluntary reporting efforts. Reports of this kind present information of interest to Chief Financial Officers, Chief Sustainability Officers, corporate boards of directors, the investment community, shareholders, corporate lawyers, consultants, and other stakeholders.

When it comes to the consideration of HWB in current standards for integrated and sustainability reporting, the focus has mostly been on traditional occupational health and safety. The global reporting initiative (GRI) requires four standard disclosures that represent: (1) proportion of the workforce represented in joint management-worker health and safety committees, (2) sex and region specific injury types and rates, productivity indicators, and work-related fatalities, (3) workers with high incidence or high risk for diseases related to their occupation, and (4) health and safety topics covered in formal agreements with trade unions.⁵ Based on this list, HWB is largely absent from the required standards despite the knowledge that it is material to business operations and the health of the company. Across all reporting instruments, a paucity of HWB metrics is noted.

Integrated reporting has been introduced to provide a cohesive and efficient approach to corporate reporting. Its main aim is to improve the quality of information that allows for optimal efficiency in allocation of financial capital. The International Integrated Reporting Council (IIRC) introduced a framework for integrated reporting that closely aligns human capital with financial, manufactured, intellectual, social and relationship, and natural capitals.⁶

This framework successfully positions human capital alongside the other capitals in a holistic manner but lacks specificity in the inclusion of HWB into the human capital domain.

Health and Well-Being Metrics for Corporate Reporting

In 2014, the Vitality Institute Commission on Health Promotion and Prevention of Chronic Disease in Working-Age Americans made several recommendations to improve policies for health in the United States.²³ One of the recommendations was that health metrics should be integrated into corporate reporting. In order to generate progress on this recommendation, a working group was convened to develop a set of HWB metrics that could be aligned with existing occupational safety metrics and integrated with overall organizational performance indicators and be aligned with broader corporate responsibility reporting standards. Existing approaches to organizational assessment of HWB were reviewed and special attention was paid to observed relationships between organizational metrics and outcomes in terms of HWB, financial impact, productivity, and performance in the marketplace.^{12-15,21}

The resulting set of HWB metrics was organized into a Core Scorecard and a Comprehensive Scorecard (available at <http://thevitalityinstitute.org/site/wp-content/uploads/2016/01/Vitality-HealthMetricsReportingRoadmap22Jan2016.pdf>). Both scorecards include metrics categorized into three equally weighted categories, including (1) Governance, based on leadership style and culture, (2) Management, reflective of the culture through programs, policies, and practices, and (3) Evidence of success, considering specific measurement and assessment activities within the company that reflect programmatic efforts to reduce health risks and quantify outcomes. The three categories are equally weighted as no compelling evidence was found that metrics included in one category might perform any differently than metrics included in any of the other two categories. Both scorecards are designed to reflect what a company does or provides that generates HWB among its employees. They reflect an organizational-level set of actions and are focused corporate governance, ethical and value-driven leadership, and conditions of work as opposed to individual-level indicators of health, such as average cholesterol level or body mass index of the workforce. Employee data are kept secure and compliance to data privacy regulations is maintained.

The Core Scorecard is comprised of 10 higher-level questions intended to be shared with company leaders, including executives and the board of directors, and to be addressed in the integrated report of the organization (see Table 1). This scorecard is formulated to reflect "yes/no/not applicable" answers. The Core Scorecard can be complemented with additional narrative to provide a more holistic perspective of the health and well-being of the workforce. It is also possible that some organizations might opt for narrative information only, based on the questions included in the Core Scorecard.

The Comprehensive Scorecard is organized according to the same three categories but provides more detail and is positioned to feed into a company's sustainability report. The scorecard builds upon existing tools such as the Centers for Disease Control and Prevention's Worksite Health Scorecard (see: http://www.cdc.gov/dhbsp/pubs/docs/hsc_manual.pdf) and the National Institute of Occupational Safety and Health's Essential Elements List of effective workplace programs (see: <http://www.cdc.gov/niosh/twh/essentials.html>); however, it is not intended to replace them. Again, the scorecard may be complemented with additional narrative to complete the description of the health and well-being of the workforce.

DISCUSSION

This commentary outlines a business case that aligns HWB reporting with corporate integrated and sustainability reporting and

TABLE 1. Core Scorecard

Governance—leadership and culture	
1	Has your company conducted a confidential survey, audit, or other assessment within the present reporting period that measures the degree to which the workplace culture and environment support health and well-being?
2	Are health, well-being, chronic disease prevention, or health promotion topics mentioned in the annual report, form 10-K or any other format reported to the board of directors at least once a year?
3	Is there a person responsible for employee health and well-being in your company?
Management—programmes, policies, and practices	
4	Does your company have an annual budget or receive dedicated funding for personalized health promotion and disease prevention programmes?
5	Does your company have a programme to address mental well-being, dealing with matters such as depression and stress management?
6	Does your company have an occupational safety and health (OSH) policy?
7	Does your company provide medical benefits for full-time workers, including recommended national preventive services such as tobacco cessation, screenings, and vaccinations?
8	Does your company maintain a smoke-free workplace?
Evidence of success—health risks and health outcomes	
9	Has your company conducted a confidential survey, audit, or other assessment within the present reporting period that measures the health status of employees?
10	What is the per-employee average absenteeism due to sick leave for the reporting period (unplanned leave or sick days)?

presents HWB metrics in the form of two scorecards that may be used to do so. The proposed metrics are aligned with existing frameworks and standards for corporate reporting and provide a roadmap for integration of HWB into the human capital component of the IIRC's Six Capitals Model.⁶ In addition, the proposed metrics may be used to support efforts of the United Nations (UN) to translate its sustainable development goals (SDGs) into action. The UN Global Compact recently reported that the two SDGs on decent work and economic growth (promote sustained, inclusive and sustainable growth, full and productive employment, and decent work for all [SDG8]), and good health and well-being (ensure healthy lives and promote well-being for all at all ages [SDG3]) rank highest in global surveys of 5500 private and public sector leaders, and their opinions about sustainable development and new business opportunities.²⁴ As such, HWB represents an important element of a comprehensive business case for integrated reporting where HWB is considered as part of human capital and alongside all other capitals.

Pursuit of integrated approaches to sustainability reporting will require strong corporate governance and a commitment to ethical leadership and values that will lead to alignment around sustainability for environmental, social, and economic performance. Linking HWB to the workforce, the community, and the performance of the company itself provides an example of creating shared value in which benefits accrue to all stakeholders involved. This paper introduces new measurement tools that may be considered to support inter-sectoral action and in this way, responds to a call for such tools in the context of health and sustainable development.²⁵ The Core and Comprehensive Scorecards are designed to reflect what a company does or provides that generates HWB among its employees. It does not report individual-level indicators of health, such as average cholesterol level or body mass index of the workforce. As such, employees' data are kept secure and compliance to data privacy regulations is maintained. Well-validated health and productivity measurement tools commonly used in practice include such instruments as the Endicott Work Productivity Scale (EWPS), the Health and Productivity Questionnaire (HPQ), the SF-36, Stanford Presenteeism Scale (SPS), the Work Ability Index (WAI), the Work Limitations Questionnaire (WLQ), and the Work Productivity and Activity Impairment Scale (WPAI) (see reference²⁶ for a summary). Measurement tools designed to reflect integration of health and safety services have been reported as well and include examples such as the Dow Jones Sustainability Index approach as illustrated by Loeppke et al¹⁶ and the ACOEM Corporate Health Achievement Award assessment, and the Indicators of

Integration from the Harvard Center for Work, Health, and Well-Being.^{17,18} However, none of these instruments is designed to complement existing standards for corporate integrated reporting where HWB represents the human capital domain alongside other business capitals such as financial, natural, manufactured, social, and intellectual capital.⁶ The proposed metrics are unique in this way.

The GRI, under its Global Sustainability Standards Board (GSSB; an independent standard-setting body) has created standards designed to help communicate about an organization's impacts on the economy, the environment, and society.⁵ Thirty-six modular standards including three universal standards that are applicable to all organizations and 33 topic-specific standards that are designed to report on material topics, make up the entire set. The GRI standards are specifically referenced in policy and regulation in more than 50 countries and regions and 35 stock exchanges worldwide. Recently, informed in part by the proposed Core and Comprehensive Scorecards that we report on here, the GSSB has initiated a review of its GRI 403: Occupational Health and Safety reporting standard and has proposed new disclosures related to: (1) workers covered by an occupational health and safety management system, (2) work-related injuries, (3) work-related illnesses, (4) workers' access to occupational health services, and (5) worker health promotion. The proposed reporting requirements include, among others, a description of voluntary programs the organization has established for workers to address major non-work related health risks and the percentage of workers who have access to voluntary programs to address non-work related health risks (see: <https://www.globalreporting.org/standards/work-program-and-standards-review/review-of-gri-403-occupational-health-and-safety/>).

However, it must be acknowledged that at this time, integrated reporting is not mainstream. Despite widespread corporate reporting in some format, only 1.4% of the S&P 500 issued fully integrated reports.²⁷ Companies need to continue to experiment with reporting approaches and further refinement of the proposed scorecards is encouraged.

Strong corporate governance and a commitment to ethical leadership and values are important factors necessary to align corporate reporting with sustainability for environmental, social, and economic performance. Linking HWB to the workforce, the community, and the performance of the company itself provides an example of creating shared value in which benefits accrue to all stakeholders involved. At the same time, the business sector should not only look at HWB as an input to business processes, but also as an output. This requires additional research on the health impact of

products and services on consumers and society at large.²⁸ As an area of future work, HWB as an output to business process should be prioritized in the context of creating shared value for all stakeholders involved, including the workplace, the marketplace, and the community. Using the proposed metrics across multiple sectors and in a manner coordinated and supported by leading agencies that set the standards, such as the GRI, the IIRC, and the US-based Sustainability Accounting Standards Board (SASB), may allow for a standardized approach that is at once both comparable and material to business. Reporting on HWB in an integrated manner can yield big returns for business and society alike.

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