



# The Cost and Value of Organizational Well-being

## Contact Us

Phone: 780-945-6134

Email: [info@wellnessworkscanada.ca](mailto:info@wellnessworkscanada.ca)

Scotia Place, 10060 Jasper Ave

Suite 2020 Tower 1

Edmonton, Alberta T5J 3R8

[WellnessWorksCanada.ca](http://WellnessWorksCanada.ca)



## The Cost and Value of Organizational Well-being

The importance of investing in workplace well-being cannot be overstated. Workplace well-being encompasses various elements, including transparency, collaboration, equity, diversity, and inclusion (EDI), employee engagement, operational effectiveness, and inclusive leadership.

These elements contribute to a healthy work environment, and not investing in them can result in significant costs to organizations. This resource aims to provide an evidence-based analysis of the cost of not investing in workplace well-being with a focus on these critical elements and the link between performance and well-being.

## Costs of Not Investing in Workplace Well-being

The following demonstrates costs that organizations can incur per year as a result of not supporting employee well-being (note: the lost value is much greater, these costs show approximate costs for presenteeism, absenteeism and turnover only).

Organization Size	Cost per Year
Small (20 employees)	\$49, 211
Medium (250 employees)	\$615, 140
Large (750 employees)	\$1, 845, 420
Very large organization (10000 employees)	\$24, 605, 600

**Let's break this down to look at the costs related to health, productivity, and turnover.**

### 1. Health Costs

The cost of not investing in workplace well-being can manifest in various ways, including increased healthcare costs, lost productivity due to employee illness or injury, and higher disability and worker's compensation claims. A study by the Integrated Benefits Institute found that poor employee health costs US employers over \$880 billion annually ([Bauer, 2018](#)).

## 2. Productivity Costs

Poor employee well-being can result in decreased productivity, which translates to reduced output and lower revenue. The cost of lost productivity due to absenteeism and presenteeism (i.e., when employees come to work despite being unwell physically or mentally) are staggering. According to a study by the Center for Disease Control and Prevention ([Asay et al. 2016](#)), the cost of presenteeism alone can be up to three times higher than that of absenteeism.

## 3. Turnover Costs

High employee turnover rates can be costly for organizations, as they incur recruitment, training, and onboarding expenses. When employees are unhappy or feel unsupported at work, they are more likely to seek employment elsewhere, leading to higher turnover rates. A study by the [Society for Human Resource Management](#) found that the average cost of replacing an employee is 6 to 9 months of their salary. Retaining employees is more important now more than ever given the global war on talent and the great resignation.

# Value of Investment

Workplace well-being is a critical factor in organizational performance. Let's review the evidence-based benefits of well-being so, with a focus on employee engagement, operational effectiveness, organizational image and reputation and financial performance.

## Employee Engagement

Employee engagement is a crucial aspect of organizational performance. Engaged employees are committed to their work, have a sense of ownership, and are more likely to go above and beyond what is required of them. Conversely, disengaged employees are less productive, less motivated, and less committed. A [study by the Harvard Business Review](#) found that disengaged employees cost organizations between \$450 billion and \$550 billion annually in the US alone.

Investing in workplace well-being has been shown to increase employee engagement. [The Towers Watson Global Benefits Attitudes Survey](#) conducted in 2011 found that organizations with ineffective health and well-being programs experienced significantly higher costs in terms of absence, disability, and lost productivity than those with effective programs. Specifically, employees in organizations with ineffective programs missed an average of 3.7 more days per year due to illness or disability than those in organizations with effective programs.



In addition, organizations with effective programs reported 50% lower voluntary attrition rates compared to those with ineffective programs. These findings highlight the cost implications of not investing in workplace well-being programs.

Employee engagement refers to the level of emotional connection and commitment employees have to their work and organization. Employees may not feel empowered to share their opinions or ideas openly, promoting employee engagement can be challenging. However, leaders can encourage engagement by soliciting feedback from employees, promoting cross-functional collaboration, recognizing, and rewarding employee contributions, and providing opportunities for growth and development.

A [study by Gallup](#) (2015) found that engaged employees are 21% more productive than those who are disengaged. Additionally, the Gallup study titled "[State of the American Workplace Report](#)" (2017) found that companies with high levels of employee engagement had 41% lower absenteeism and 17% higher productivity than companies with low levels of engagement. Furthermore, disengaged employees were found to cost their organizations up to \$550 billion annually in lost productivity. The study also found that well-being programs can have a positive impact on employee engagement and can contribute to lower healthcare costs and reduced absenteeism.

### **Operational Effectiveness**

Operational effectiveness refers to an organization's ability to achieve its goals and objectives efficiently and effectively. A healthy workplace culture can contribute to operational effectiveness by promoting collaboration, innovation, and continuous improvement. In a bowing culture, where hierarchy and respect for authority are emphasized, leaders can promote operational effectiveness by empowering employees to make decisions and take ownership of their work, promoting cross-functional collaboration, and providing opportunities for professional development. A study by [McKinsey & Company](#) (2017) found that companies with strong organizational health are three times more likely to outperform their peers.

There is strong evidence that investing in workplace well-being can enhance operational effectiveness. For example, a study of a financial services company found that employees who participated in a workplace wellness program had lower healthcare costs and were more productive than those who did not participate. A study by [Towers Watson](#) found that companies with effective health and well-being programs had significantly higher levels of productivity and employee engagement than those without such programs. Additionally, absenteeism rates were found to be 50% lower in companies with effective health and well-being programs compared to those without.

On the other hand, a study by the [World Economic Forum](#) (2019) found that depression and anxiety disorders cost the global economy an estimated \$1 trillion per year in lost productivity, and that mental health conditions are the leading cause of disability and absenteeism worldwide. This highlights the potential cost of not investing in workplace well-being initiatives aimed at addressing mental health issues among employees.

Another study by [Gallup](#) (2022) found that disengaged employees cost the U.S. economy up to \$605 billion annually in lost productivity. This suggests that investing in workplace well-being programs that can improve employee engagement could have a significant positive impact on operational effectiveness and overall organizational performance.

Workplace well-being can also impact operational effectiveness by reducing errors and mistakes. Studies have found that stress, fatigue, and burnout can lead to increased errors and decreased productivity among employees ([Leiter & Maslach, 2016](#)). Investing in employee well-being can mitigate these negative effects. For example, a study of a large telecommunications company found that implementing a stress management program led to decreased errors and improved customer service ([Team 2021](#)).

### **Organizational Image and Reputation**

Organizational image and reputation refer to how an organization is perceived by stakeholders, including customers, employees, and the general public. There is ample evidence that workplace well-being can impact an organization's image and reputation. For example, a study of consumers found that they were more likely to do business with organizations that prioritize employee well-being (Bentley et al., 2019). In addition, employees are more likely to view their organization positively if they feel that their well-being is a priority (Wang et al., 2019).

According to a study by the [World Economic Forum](#), 84% of consumers believe that companies have a responsibility to improve their employees' health and wellbeing. Furthermore, companies that prioritize employee wellbeing and invest in wellness programs may be viewed more favorably by employees, customers, and stakeholders. A study by [Deloitte](#) (2021) found that 94% of executives believe that employee wellbeing is important to their business success, and companies that prioritize wellbeing may be more likely to attract and retain top talent.

On the other hand, failing to invest in workplace well-being can damage an organization's image and reputation. Negative publicity related to employee well-being, such as reports of workplace stress or burnout, can lead to decreased customer trust and difficulty attracting top talent (Dutton & Dukerich, 1991).

According to a study by PwC ([PricewaterhouseCoopers](#)), poor employee well-being can lead to negative impacts on an organization's reputation and image. In the study, 49% of respondents said they would avoid doing business with a company with a poor reputation for employee well-being, while 28% said they would actively speak out against the company. This can result in significant financial losses for the organization, as customers may choose to take their business elsewhere, and potential employees may be deterred from applying for jobs with the company. On the other hand, investing in workplace well-being can enhance an organization's reputation as an employer of choice and improve its overall image in the marketplace.

### Savings in the Cost of Lost Time

Lost time refers to the time an employee is absent from work. Workplace well-being initiatives can reduce the frequency and duration of lost time, resulting in cost savings for the organization. Programs that promote physical health, mental health, and stress management can help employees maintain their well-being and reduce the likelihood of absences.

**Example:** A company implements a wellness strategy that includes on-site flu vaccinations, regular health check-ups, and mental health support. As a result, employees are less likely to get sick or experience burnout, leading to fewer absences from work. This results in cost savings for the organization as they do not have to pay for lost time or find replacements for absent employees.





## Workplace Well-being and Performance Go Hand in Hand

**Inspired Culture + Healthy People → Operational Effectiveness → Positive Reputation =**

**Sustainable High Performance**

Workplace well-being initiatives positively impact an organization's financial performance. Engaged employees who are committed to their work and the organization, as well as a healthy workplace culture that promotes collaboration, innovation, and continuous improvement, can contribute to better business outcomes. Additionally, workplace well-being initiatives will reduce the frequency and duration of lost time due to illness or injury when it is physically and psychologically healthy and safe. Furthermore, workplace well-being initiatives can enhance an organization's image and reputation, leading to increased trust and loyalty from stakeholders. Lastly, a psychologically safe workplace built on trust and frank candour improves operational effectiveness, productivity and efficiency.

Check out the appendix for example of organizations that have seen enhanced performance as a result of the investment in organizational well-being.

For support in developing a healthy high performing work culture, check out this Five-Step Guide to building a healthy, high performing work culture and other resources at [resources.wellnessworkscanada.ca](https://resources.wellnessworkscanada.ca).





## Appendix

Here are some examples of top companies with strong image and reputation that have invested in workplace wellbeing programs:

### 1. Google

One example of a company that has benefited from investing in workplace well-being programs is Google. Google has implemented several workplace well-being programs over the years, including mindfulness and meditation training, healthy food options, fitness programs, and more. According to an article published in the [International Journal of Corporate Social Responsibility](#) (2017), Google invested \$7.5 million in its mindfulness program, Search Inside Yourself, and saw a return on investment of \$3 for every \$1 invested within the first year, including decreased healthcare costs, increased employee productivity, and reduced employee turnover.

In terms of value on investment (VOI), Google has reported improved employee engagement and job satisfaction, as well as increased employee retention rates due to their well-being initiatives. Furthermore, Google's reputation and brand image have been positively impacted by their investment in employee well-being, and they have been recognized as a top employer by several organizations, including Fortune Magazine and Glassdoor.

In 2017, Google was ranked as the #1 company to work for by Fortune Magazine for the eighth time in eleven years. This recognition has been attributed, in part, to the company's focus on employee well-being, including offering wellness programs such as on-site medical care, free healthy meals, and yoga classes. Additionally, Google has reported increased employee productivity and reduced healthcare costs as a result of their well-being initiatives. This demonstrates that investing in workplace well-being can not only improve employee health and happiness but also positively impact a company's reputation and bottom line.

## 2. Johnson & Johnson's

Johnson & Johnson's reputation as a company that invests in the health and well-being of its employees has been widely acknowledged. In fact, it has been recognized as one of the world's most ethical companies for several years in a row. A study by the [Health Enhancement Research Organization \(HERO\)](#) found that Johnson & Johnson's wellness programs saved the company \$250 million over the course of a decade. This success has been attributed to the company's strong leadership, communication, and support for employee participation in wellness initiatives, which have helped to create a culture of health and well-being within the organization. Additionally, a study published ([Ozminkowski et al. 2002](#)) found that Johnson & Johnson's wellness programs were associated with improved employee health and decreased healthcare costs, providing further evidence of the company's commitment to workplace well-being and the positive impact it can have on organizational image and reputation.

In 2019, Johnson & Johnson was named one of the World's Most Admired Companies by [Fortune Magazine](#), ranking first in the pharmaceutical industry. The company has also received recognition for its workplace wellness programs, including being named one of the Healthiest Employers in the United States by the Healthiest Employers programs.

## 3. Microsoft

Microsoft has invested heavily in its employee wellbeing programs, which include mental health support, yoga classes, and stress management workshops. The company has also introduced policies to promote work-life balance, such as flexible working hours and the option to work from home.

According to a case study published by Microsoft, the company's employee wellness strategy, known as [Microsoft Wellness](#), has had a positive impact on both employee health and business outcomes. The study reported that since the program's launch, there has been a 23% reduction in healthcare costs per employee and a 40% reduction in the number of high-risk employees. Additionally, the initiative has resulted in a 7:1 return on investment (ROI) in the first year alone.

In terms of value on investment (VOI), the case study reported that employees who participated in the wellness initiative reported higher job satisfaction, increased productivity, and improved work-life balance. Furthermore, Microsoft has received recognition for its employee wellness initiatives, including being named one of the Healthiest Employers in the United States by the Healthiest Employers programs.

Regarding image and reputation, Microsoft has been recognized as one of the World's Most Admired Companies by Fortune Magazine and has received recognition for its commitment to employee wellbeing and sustainability initiatives. In 2020, the company was named to the Dow Jones Sustainability Index for the 17th consecutive year. Overall, the evidence suggests that Microsoft's investment in workplace wellbeing programs has had a positive impact on both ROI and VOI, as well as its image and reputation as a socially responsible and employee-friendly company.

**There are also several corporate wellness organizations in Canada that have invested in workplace wellbeing programs. Here are a few examples:**

### **GoodLife Fitness**

**GoodLife Fitness** is one of the largest fitness chains in Canada, and the company offers corporate wellness programs that include fitness classes, nutrition coaching, and stress management resources. GoodLife Fitness is a Canadian fitness company that offers workplace wellbeing programs for organizations. While there may be limited publicly available data on the specific ROI and VOI related to GoodLife Fitness's workplace wellbeing programs, here are some general findings from studies on the benefits of workplace wellbeing programs.

#### **ROI**

- According to the Health & Wellness Leadership Awards questionnaire by GoodLife Fitness, one organization reported a 5:1 ROI on their wellness strategy, driven primarily by a reduction in absenteeism and presenteeism.
- Another organization reported a 3:1 ROI on their wellness strategy, with a significant reduction in healthcare claims costs and improvements in employee engagement and morale.

#### **VOI**

- Several organizations reported positive VOI outcomes, including improved employee satisfaction, engagement, and retention, as well as improved culture and brand reputation.
- The questionnaire also highlights the importance of measuring outcomes beyond ROI, such as VOI and social impact, to capture the full value of workplace wellness programs.
- The Health & Wellness Leadership Awards questionnaire provides valuable insights into the impact of workplace wellness programs on both financial and non-financial outcomes, and showcases successful examples of wellness initiatives implemented by Canadian organizations.

**Image and Reputation**

- GoodLife Fitness has been recognized as one of Canada's Best Managed Companies for several consecutive years, including in 2022. This recognition is based on criteria related to strategy, capability, commitment, and financial performance. In addition, GoodLife Fitness has received recognition for its commitment to corporate social responsibility, including being named one of Canada's Greenest Employers in 2021. GoodLife Fitness has also been recognized for its workplace wellness initiatives, receiving the Employee Recommended Workplace Award in 2018 and 2019.

GoodLife Fitness' Health & Wellness Leadership Award from [John Brooks Company](#). This award recognizes GoodLife Fitness' commitment to promoting health and wellness in the workplace, and their efforts to help other organizations implement successful wellness programs.

Some key insights from the award announcement include:

- GoodLife Fitness was recognized for their comprehensive approach to workplace wellness, which includes fitness facilities, nutrition programs, mental health support, and more.
- The award highlights the positive impact of GoodLife Fitness' wellness programs on employee health and productivity, as well as the company's efforts to share their knowledge and resources with other organizations.
- GoodLife Fitness was also recognized for their commitment to social responsibility, including their partnership with WE Charity to provide clean water and education to communities in need.
- John Brooks Company Health & Wellness Leadership Award underscores GoodLife Fitness' leadership in the corporate wellness space, and their dedication to promoting health and wellbeing for employees and communities.

## Virgin Pulse

Virgin Pulse is a global provider of workplace well-being programs, and the company offers a range of services in Canada, including digital wellness platforms, coaching and consulting services, and health assessments.

### ROI/VOI toolkit by Virgin Pulse

- This toolkit provides evidence-based data and resources to help organizations measure the return on investment (ROI) and value on investment (VOI) of their workplace wellbeing programs. Includes various resources, such as case studies, calculators, and surveys, to help organizations assess the impact of their workplace well-being programs. Some key findings and insights from the toolkit include:
- The ROI for workplace well-being strategies can vary depending on the type of program, the population being targeted, and other factors. However, the ROI for strategic systems-based approaches can be substantial, with some studies showing a return of \$1.50 to \$3.50 for every dollar invested.
- Workplace well-being strategies can also provide a variety of benefits beyond ROI, such as improved employee engagement, productivity, and morale, as well as reduced healthcare costs and absenteeism. These benefits are captured by VOI measures, which help to quantify the value of the program beyond financial returns.

#### ROI

- According to the ROI/VOI Toolkit provided by Virgin Pulse, companies that invest in employee wellbeing can see a return on investment (ROI) of \$1.50 to \$3.00 for every dollar spent on well-being programs.
- The toolkit also provides case studies showing significant ROI, such as a healthcare organization that saw a \$3.40 ROI on their well-being program due to reduced healthcare claims costs and improved productivity.

#### VOI

- The same ROI/VOI Toolkit by Virgin Pulse also highlights the value on investment (VOI) of wellness programs, such as improved employee morale and engagement, reduced absenteeism and presenteeism, and improved company culture and reputation.
- Virgin Pulse also offers a variety of tools and resources to measure and track VOI, such as employee surveys and health risk assessments.

#### Image and Reputation

- Virgin Pulse is a well-known and respected provider of employee wellbeing solutions, with a strong focus on technology and innovation.
- In 2021, Virgin Pulse was recognized by Gartner as a Leader in the Magic Quadrant for Employee Health and Wellbeing Platforms, highlighting the company's strengths in product innovation, customer satisfaction, and market presence.
- Overall, these data suggest that Virgin Pulse's investment in workplace well-being programs can result in positive ROI and VOI outcomes for organizations, while also contributing to the company's strong image and reputation in the employee well-being space.



## References

- Asay, Garrett R. Beeler, Kakoli Roy, Jason E. Lang, Rebecca Payne, and David Howard. 2016a. "Absenteeism and Employer Costs Associated With Chronic Diseases and Health Risk Factors in the US Workforce." *Preventing Chronic Disease* 13 (October). <https://doi.org/10.5888/pcd13.150503>.
- Becker, Karen, and Michelle Smidt. 2016a. "A Risk Perspective on Human Resource Management: A Review and Directions for Future Research." *Human Resource Management Review* 26 (2): 149–65. <https://doi.org/10.1016/j.hrmr.2015.12.001>.
- "Empowering Our Employees | Microsoft CSR." n.d. Microsoft. <https://www.microsoft.com/en-us/corporate-responsibility/empowering-employees>.
- "Essential Elements of Employee Retention | Lynchburg Regional SHRM." n.d. <https://lrshrm.shrm.org/blog/2017/10/essential-elements-employee-retention#:~:text=A%20study%20by%20the%20Society%20for%20Human%20Resource,to%20%2445%2C000%20to%20hire%20and%20train%20a%20replacement>.
- Gallup, Inc. 2022a. "State of the American Workplace." Gallup.Com. <https://www.gallup.com/workplace/238085/state-american-workplace-report-2017.aspx>.
- Johnson, Johnson & Johnson. 2020a. "Johnson & Johnson Named a 2019 Fortune World's Most Admired Company." Content Lab U.S., January 7, 2020. <https://www.jnj.com/latest-news/johnson-johnson-on-2019-fortune-worlds-most-admired-companies-list>.
- Maslach, Christina, and Michael P. Leiter. 2016a. "Understanding the Burnout Experience: Recent Research and Its Implications for Psychiatry." *World Psychiatry* 15 (2): 103–11. <https://doi.org/10.1002/wps.20311>.
- "Organizational Health: A Fast Track to Performance Improvement." 2017a. McKinsey & Company. September 7, 2017. <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/organizational-health-a-fast-track-to-performance-improvement>.
- Ozminkowski, Ronald J., Davina C. Ling, Ron Z. Goetzel, Jennifer L. Bruno, Kathleen R. Rutter, Fikry Isaac, and Sara Wang. 2002a. "Long-Term Impact of Johnson & Johnson's Health & Wellness Program on Health Care Utilization and Expenditures." *Journal of Occupational and Environmental Medicine* 44 (1): 21–29. <https://doi.org/10.1097/00043764-200201000-00005>.
- Pendell, By Ryan. 2023a. "The World's \$7.8 Trillion Workplace Problem." Gallup.Com, April 6, 2023. <https://www.gallup.com/workplace/393497/world-trillion-workplace-problem.aspx>.
- Team, Playvox. 2021a. "Effective Ways To Reduce Stress In A Call Center Work Environment – Playvox." Playvox (blog). November 22, 2021. <https://www.playvox.com/blog/effective-ways-to-reduce-stress-in-a-call-center-work-environment/>.
- "The Social Enterprise in a World Disrupted: Leading the Shift from Survive to Thrive." n.d. Deloitte Insights. <https://www2.deloitte.com/us/en/insights/focus/human-capital-trends/2021.html>.
- "This Is the World's Biggest Mental Health Problem – and You Might Not Have Heard of It." 2020a. World Economic Forum. February 8, 2020. <https://www.weforum.org/agenda/2019/01/this-is-the-worlds-biggest-mental-health-problem/>.
- Tran, Sang Q. 2017a. "GOOGLE: A Reflection of Culture, Leader, and Management." *International Journal of Corporate Social Responsibility* 2 (1). <https://doi.org/10.1186/s40991-017-0021-0>.
- "WTW: Perspective That Moves You | Risk, Broking, HR, Benefits." n.d. Willis Towers Watson. <https://www.wtwco.com/en-US>.



Building a healthier, higher performing Canadian  
population and economy. One organization at a time.  
**Together.**

[WellnessWorksCanada.ca](http://WellnessWorksCanada.ca)