

# Reporting on Health and Well-Being in Business

## Aligning Human Capital with Business Resources and Relationships

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### GOOD BUSINESS

**G**ood business is good for society. It was true more than two centuries ago, when Adam Smith wrote that business plays an important role in creating wealth and prosperity for people. And it's still true today. In that light, society and business help each other out. Society allows companies the ability to govern themselves and access workers and consumers. When it works well, it's been a win-win deal. From time to time, the agreement about what good business is has shifted and evolved. Through our history, we've seen this evolution with the changing influence of labor unions, the ebb and flow of regulation, and the tightening of laws against insider trading. Today, we're seeing recognition that companies do more than sell products and create shareholder returns. What a company does has other profound effects.

### TRIPLE BOTTOM LINE AND THE SIX CAPITALS MODELS

Many now recognize what's called the *triple bottom line* of profit, planet, and people, where *profit* reflects the economic performance of the company, *planet* reflects the company's environmental performance, and the *people* dimension reflects the company's social performance. Within this, familiar earnings reports and regulatory filings live alongside newer measures of corporate social responsibility (CSR). CSR measures range from indicators that reflect sustainability to labor practices, community engagement, and ethics.

More recently, the International Integrated Reporting Council's (IIRC) Six Capitals model has been proposed to more explicitly integrate reporting across all the capitals that reflect the inputs to a company's business model (7). Capitals are defined as *stocks of value on which all organizations depend for their success as inputs to their business model, and which are increased, decreased, or transformed through the organization's business activities and outputs*. The six capitals referred to in this model include the financial, manufactured, intellectual, human, social and relationship, and natural capitals. Within this model, human capital is defined as *people's competencies, capabilities, experience, and motivation to innovate, including alignment with and support for an organization's governance framework, risk management approach, and*

*ethical values; ability to understand, develop, and implement an organization's strategy; loyalties and motivation for improving processes, goods, and services; and ability to lead, manage, and collaborate*. This IIRC framework is much more holistic than other models; however, it does not specify *any* metrics for reporting and may certainly benefit from a more explicitly defined role for health and well-being as an integral part of the definition of human capital — especially



when considering the importance of workforce health and well-being to business success.

Although there's no one measure for CSR reporting, more companies are implementing self-reporting of their practices in a variety of areas. All of these measures are important and interesting. However, most companies, with some notable exceptions, have not included any material indicators of health and well-being in their CSR reporting efforts. It seems that this is primarily reflective of the CSR standards that include mostly traditional indicators of occupational health and safety, but not health and well-being.

### WHY REPORT ON HEALTH AND WELL-BEING?

The healthier the society, the better chance it has to prosper economically. Good health has been shown to boost higher educational performance, skill acquisition, labor productivity, and access to good jobs. Recently, the United Nations recognized health as a key indicator of sustainable development in its Sustainable Development Goals (SDGs) as it positions humans at the center of sustainable development by valuing health as an input and an outcome of sustainable societies (9). "Ensuring healthy lives and promoting well-being for all at all ages" is the third goal of the 17 SDGs. Contributions to health deserve a place in the good business mix.

On the one hand, statistics show that a healthy workforce is more productive and makes a company more profitable. And evidence suggests that companies who create a healthy and safe work environment outperform the Standard & Poor's (S&P) 500 index by 5% to 17% per year (2,3,5,6). In a 2013 study by Fabius et al. (3), an investment portfolio was modeled for a group of U.S. companies that had been formally recognized for their cultures of health and safety. Between 1999 and 2012, the rate of return achieved for this group of companies consistently outperformed the average S&P 500. This result was recently corroborated in several additional studies for companies in the United States (5,6) and in South Africa (2). Hence, these studies show an association between health and financial performance of a company, albeit not a causal association. These data suggest investing in employee health and well-being is a good idea for business as it aligns with improved business performance and outcomes. Workforce health and well-being should be viewed as a material element of business performance and, as such, should be a component of corporate governance and be taken seriously by boards of directors and senior executives.

On the other hand, core products and services created by companies contribute to the health of the population (10). Examples include the positive impact of pharmaceutical, medical device, healthy food, and sports apparel companies. Other examples with decidedly negative impacts on health include food companies, manufacturers, retailers, and food services providers whose products contribute to many diseases and injuries, and tobacco companies whose core products are causal to debilitating conditions and premature death. As a result, not only is health and well-being material to the business process that creates

products and services, it also is a critical product characteristic that affects the health and well-being of consumers and the larger society.

### IS HEALTH AND WELL-BEING REPORTED ON?

Many reporting instruments are used by organizations to disclose CSR-type information. Overall, the number of reporting instruments has almost doubled since 2013, from 180 to 383 instruments, and is being used in 64 countries (1). All of these instruments are used to some degree of success and are designed to support corporate reporting on financial, sustainability, social responsibility, integrated, and regulatory issues and include both mandatory and voluntary reporting efforts. The reports provide important information to chief financial officers, chief sustainability officers, corporate boards of directors, the investment community, shareholders, corporate lawyers, and consultants who support informed decision making.

Current reporting standards for CSR are mostly limited to occupational health and safety. For example, the Global Reporting Initiative has four standard disclosures that represent (4):

- The proportion of the workforce represented in joint management-worker health and safety committees;
- Sex and region-specific injury types and rates, productivity indicators, and work-related fatalities;
- Workers with high incidence or high risk for diseases related to their occupation;
- Health and safety topics covered in formal agreements with trade unions.

Based on this list, health and well-being 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 health and well-being metrics is noted.

### METRICS THAT MATTER

A set of metrics was published earlier this year that any organization can use to integrate health metrics into its own CSR reporting. These newly released measures, available free online via the Vitality Institute, allow any organization to assess its own employee population health performance across a number of categories (8).

The proposed metrics do not reflect actual employee health risks, such as average body mass index or level of cholesterol, or even the proportion of employees who are at "elevated levels of health risk." Rather, the metrics reflect what the company is doing to create an environment or culture that allows the workforce to adopt or maintain good health and well-being. The measures examine how governance, culture, management, and success records contribute to health. These factors range from whether a company designates budget for health promotion to whether it maintains a smoke-free workplace or provides mental health support.

# WORKSITE HEALTH PROMOTION

**TABLE: Core Scored Questions by Category**

| 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? Examples: employees are asked to rate the corporate culture in some way; employees are asked if they feel their manager supports them when they take time to go to the gym at lunch. |
| 2                   | Are health, well-being, chronic disease prevention, or health promotion topics mentioned in<br>- The annual report?<br>- Form 10-K?<br>- 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          | PROGRAMS, POLICIES, AND PRACTICES  |
| 4                   | Does your company have an annual budget or receive dedicated funding for personalized health promotion and disease-prevention programs? Examples: a dedicated budget in the department responsible for the implementation of the health and well-being program (e.g., the human resources department); a central health and well-being budget allocated by senior executives on an annual basis              |
| 5                   | Does your company have a program to address mental well-being, dealing with matters such as depression and stress management?  |
| 6                   | Does your company have an occupational safety and health policy?   |
| 7                   | Does your company provide medical benefits for full-time workers, including recommended national preventive services (e.g., the Affordable Care Act in the United States) 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)?  |

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The metrics are organized into a Core Scorecard and a Comprehensive Scorecard. The Core Scorecard is comprised of 10 higher level questions intended to be shared with company

leaders, including executives and the board of directors. The Table presents the questions by category for this scorecard.

The Comprehensive Scorecard is more detailed and designed to be included in the Sustainability Report of the company (Figure). It is organized around the same components as the Core Scorecard, but the three categories are equally weighted. The Figure depicts the organization of the Comprehensive Scorecard. The actual questions may be accessed online at <http://thevitalityinstitute.org/projects/health-metrics-reporting/>.

## CLOSING THOUGHTS

It is reasonable to expect that investors, corporate leaders, boards, shareholders, and community members will be considering a company's contribution to health as part of its overall performance. The reporting of these metrics will help demonstrate a company's social responsibility, good governance, sound management, and commitment to transparency.

But, even if a company shares its health measures only among its own C-suite, the information will prove to be a valuable tool. It'll help to better understand opportunities for improvement of the health and well-being of the workforce and the larger community.

Business and society will benefit greatly from intentional efforts to improve health. We should welcome new collaborations among health systems, community organizations, and other stakeholders who advance the relationship of good health, good business, and strong communities.

**Figure.** Detailed breakdown of the Comprehensive Scorecard. Copyright © 2016 Vitality Institute. Reprinted with permission.



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