

## The link between employee wellness and productivity

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The majority of global employers have health promotion strategies, and according to Ho, an estimated 70% of employers offer *wellness programs* (Emerald Publishing, 2020). Research shows that workplace *wellness programs* (also known as corporate *wellness programs*) help create a win-win situation that has a positive impact on both employees and employers (Emerald Publishing, 2020).

An increasing number of companies are placing a high priority on the *wellbeing* of their employees, assuming that happier workers will lead to improved *productivity*. This article examines this link based on a meta-analysis of independent studies accumulated. A good example being studies done by Gallup, covering the well-being and productivity of nearly 2 million employees and the performance of over 80,000 business units, originating from 230 independent organizations across 49 industries in 73 countries. The findings of the studies suggest a strong positive correlation between *employee wellbeing*, *productivity*, and firm performance.

### The link between higher employee wellness and higher productivity

In the study by Gallup (2019), it was found out that there is true score correlations between employee *wellbeing* (measured as employees' satisfaction with the firm as a place to work), employee productivity, and firm performance as means, taken across all industries and regions. The study focused on four key performance indicators, arguably the most important ones from a business perspective: customer loyalty, *employee productivity*, business unit profitability, and staff turnover.

Employee satisfaction was found to have a substantial positive correlation with customer loyalty ( $r = 0.31$ ) and a substantial negative correlation with staff turnover ( $r = -0.25$ ). The correlation with *employee productivity* is positive and strong ( $r = 0.2$ ). Importantly, higher customer loyalty and employee productivity, as well as lower staff turnover, is also reflected in higher profitability of business units, as evidenced by a moderate, positive correlation between employee satisfaction and profitability ( $r = 0.16$ ).

### Some differences between industries, little between regions

The research also found out that correlations differ somewhat by industry. True score correlations between *employee wellbeing*, *productivity*, and firm performance as means by industry, distinguishing finance, retail, services, and manufacturing sectors were identified.

In most countries customer loyalty, staff turnover, and *employee productivity* – employee satisfaction is most important in finance, followed by retail, and then closely, by services. The correlation between employee satisfaction and business unit profitability appears to be somewhat stronger in the finance industry than in other industries, except manufacturing (Gallup, 2019). In fact, for manufacturing, it was

found that employee satisfaction has the weakest correlation with *employee productivity* but the strongest with business unit profitability amongst all industry sectors. However, it is important to note that 95% of confidence bands between industries are largely overlapping, pointing towards the universal importance of *employee wellbeing* across industries. There was little evidence for differences between firms based in the US and other world regions such as Europe, Asia, and Africa.

## Why would higher employee wellness lead to higher productivity?

It is important to highlight that from this meta-analysis alone one cannot make any strong causal claim about the effect of *employee wellness* on productivity. There exists, however, both theoretical and empirical literature that points in this direction.

According to human relations theory, higher *employee wellness* is associated with higher morale, which, in turn, leads to higher productivity (Strauss 1968). Conversely, expectancy theories of motivation postulate that *employee productivity* follows from the expectation of rewards (including higher wellbeing) generated by eliciting effort (Lawler and Porter 1967, Schwab and Cummings 1970). Emotions theory argues that employees' emotional states affect their *productivity* (Staw et al. 1994), and in particular, that positive emotions lead to heightened motivation, and hence better job outcomes and organizational citizenship (Isen and Baron 1991). A further channel is through positive, stimulating arousal, which can result in more creativity (Isen et al. 1987) or positive changes in attitudes and behavior (Baumeister et al. 2007).

The above results are validated by Oswald et al. (2015) in a laboratory experiment which showed that increases in *wellbeing* were strongly associated with increases in productivity of

up to 12% in an incentivized real effort task. In another study, De Neve and Oswald (2012) find that individuals who reported higher levels of life satisfaction at ages 16, 18, and 22 have significantly higher levels of earnings later in life. This holds even when comparing between siblings and holding constant a wide range of observables including education, intelligence, physical health, and self-esteem (De Neve and Oswald, 2012).

An August 2017 study carried out by the University of California Riverside found that companies offering employee wellness programs saw a significant gain in productivity among workers (Harbour, 2017). Researchers studied *a wellness program* and found that all employees who participated *improved productivity* an average of one full workday per month (Harbour, 2017).

## Establishing and Designing a Wellness Program

Designing and managing an *employee wellness* program is an important step in improving the health and *productivity* of employees and potentially improving the overall cost of employer-provided health care. *Wellness programs* can benefit employers by:

- Lowering health care costs.
- Reducing absenteeism.

- Achieving higher employee productivity.
- Reducing workers' compensation and disability-related costs.
- Reducing injuries.
- Improving employee morale and loyalty.

Consideration should be made of the ever-increasing costs of health insurance and the importance of employee health, employers should implement a well-thought-out *wellness program* that benefits both the employee's health and the employer's bottom line.

The work presented in this article is suggestive of a strong, positive correlation between employee wellbeing, productivity, and ultimately firm performance. The evidence-base is steadily mounting that this correlation is, in fact, a causal relationship (running from wellbeing to productivity). But clearly, there is a need for more field and/or natural experiments in real-world firm settings to make the business case for improving employee wellbeing clear-cut. Considering the different business operating environments, for example, our Zimbabwean environment there are a lot of confounding variables that will impact the relationship.

This calls for a more consistent measurement of employee wellbeing in firms alongside productivity. Interventions aimed at raising productivity should target the key drivers of well-being at work, such as social relationships, making jobs more interesting, and improving work-life balance (Krekel et al. 2018). They should be rigorously evaluated (ideally utilizing randomized controlled trials), and costs should be reported upon to identify the most cost-effective ways of raising employee wellbeing, productivity, and ultimately, firm performance.

## Conclusion

In conclusion, whether an organization chooses to offer a full-service wellness program for its employees or to encourage wellness activities and lifestyle choices in the workplace, any steps it takes to enhance your employees' wellness will have a positive impact on their health, happiness, and ultimately their productivity. This will result in an improved bottom line for that organization benefitting both the employer and the employees.

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