



The Prince's  
Responsible  
Business Network

With research from  
**McKinsey**  
Health Institute

Report

# PRIORITISE PEOPLE: UNLOCK THE VALUE OF A THRIVING WORKFORCE

April 2023

BITC Wellbeing  
Leadership Team





# REPORT

## PRIORITISE PEOPLE: UNLOCK THE VALUE OF A THRIVING WORKFORCE

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### FOREWORD

Business in the Community (BITC) has been at the forefront of the responsible business movement for over 40 years, supporting our employer members to be faster, braver, and bolder in their approach to making work work for people and the planet.

“Prioritise People” is another step in that journey. This is a report for CFOs that represents the first step in a workplace revolution. It has been prepared by BITC’s Wellbeing Leadership Team with support from McKinsey Health Institute (MHI), with input from a number of leading UK CFOs and expert collaborators that include Mercer and the Wellbeing Research Centre at the University of Oxford.

In this report, we set out the compelling economic value proposition (EVP) for placing employees and their wellbeing at the heart of organisational purpose and business strategy. BITC also puts forward its own recommendations on next steps. The work is a testament to the strength of BITC’s network and convening power, bringing together leading UK employers to develop creative and pragmatic solutions to some of the most pressing challenges of our time. Urgent action is needed. We have seen traditional models of work start to

buckle under huge strain. The health of our workforce is deteriorating rapidly while UK businesses struggle to attract and retain talent in the tightest job market we have seen in decades. This is not sustainable. The increased attention on workplace mental health that has grown out of the pandemic provides a once-in-a-lifetime opportunity to instigate a radical new approach. If businesses invest in the right initiatives, the positive returns from improved productivity, attraction, and retention, combined with the cost savings achieved from lower attrition, absenteeism and presenteeism, could unlock a cumulative value across the UK of c. £130-£370 billion (6-17% of UK Gross Domestic Product) or the equivalent of £4,000 - £12,000 per employee.

To help businesses respond to this challenge, BITC’s Wellbeing Leadership Team has created *Backing Business to Revolutionise Ways of Working*, a strategy that redefines success and creates sustainable value by putting thriving people at the heart of organisational purpose. Working in partnership with MHI, we have defined an EVP for investing to allow employees to thrive. At the same time, we are developing a suite of simple and accessible management and measurement tools, to enable businesses of all shapes, sizes, and sectors to adopt and integrate best practices, so that employee health and

wellbeing becomes part of the culture and “just what we do around here”.

CFOs can be a powerful catalyst to enable this change and demonstrate that employee health and wellbeing is core to creating sustainable value and builds key competitive advantage. CFOs, as stewards of their businesses, have the power to instigate this revolution by influencing boardroom discussions and re-amplifying the value of people and effective working relationships. UK companies prioritising Environmental, Social, and Governance (ESG) concerns can also consider how the “S” includes not only physical, but psychological safety, and investors’ expectations are likely to shift accordingly. Alongside the focus on ESG, UK companies must be prepared to make difficult decisions, recognising that only by creating effective working relationships will they realise sustainable tangible value.

The size of the prize for investing in employees is too big and too important to delay. Be part of the revolution by initiating a boardroom discussion on investing in thriving employees, using our [insights slide deck](#).

**Mary Macleod, CEO, Business in the Community**

**Javier Echave, CFO, Heathrow Airport and BITC Wellbeing Leadership Team Chair**

## EXECUTIVE SUMMARY

### CONTEXT

This is a report for CFOs that demonstrates the compelling business case for enabling employees to be at the heart of organisational purpose and business strategy. It has been prepared by BITC's Wellbeing Leadership Team and MHI with input from several leading UK CFOs and expert collaborators that include Mercer and the Wellbeing Research Centre at the University of Oxford. This research draws on joint research carried out between BITC and MHI. MHI's work is independent, and has not been commissioned by any business, government, or other institution.

### WHAT IS HAPPENING IN UK BUSINESS?

UK productivity has been sluggish since the 2007 financial crisis. Employee attrition is at double digit levels<sup>i</sup>, and physical and mental-health related absences have been on the increase since 2020<sup>ii</sup>. Many businesses are investing in health and wellbeing programs for their employees but are not moving the dial on outcomes<sup>iii</sup>. It is time for a different approach that empowers businesses to invest better.

### IS THERE A DIFFERENT WAY?

The research completed by BITC and MHI shows there is a substantial business opportunity to focus wellbeing strategies around supporting employees to thrive. By creating a work environment where employees thrive, businesses can get a double dividend – lower costs from poor health (absenteeism, attrition and presenteeism), and positive returns from improved retention, attraction and higher productivity. By investing in its most critical asset – its people - businesses can drive loyalty, productivity and market competitiveness, and underpin future business success. The benefits of better employee health and wellbeing also extend beyond the business, as better wellbeing will also have a positive impact on the families and communities that employees are part of.

**“This report evidences the case that putting employee wellbeing at the centre of business strategy not only benefits employees on an individual basis, but it also leads to a happier and more productive workforce, improved business outcomes, and ultimately, a healthier and more sustainable society.”**

Chris Maddox, People and Client Director, Bridges Electrical Engineers Limited

**“At Anglian Water, we want our people to feel better as a result of coming to work. Investing in wellbeing is vital for employee fulfilment, and it's also critical in driving business outcomes. Put simply, when we feel better, we perform better. However, it's important not to focus on wellbeing as a means to an end, but as a business goal in its own right - that's the right thing to do.”**

Steve Buck, CFO, Anglian Water

Business in the Community

### WHAT IS THE POTENTIAL POSITIVE IMPACT?

Based on the latest evidence, the potential for impact seems far larger than previously reported. This report estimates that costs from poor health due to absenteeism, attrition and presenteeism are up to ~£150bn per year, or up to ~£5,000 per employee. Positive returns from improved productivity, attraction and retention could be even larger: around £120bn-£220bn per year, or over £4,000-£7,000 per employee. Together, the costs and benefits are huge - £130bn-£370bn, or around 6-17% of UK Gross Domestic Product. This is equivalent to £4,000-£12,000 per employee. Even capturing up to 20% of this opportunity would lead to substantial improvements to UK GDP.

### HOW CAN BUSINESSES IMPROVE?

Research indicates current wellbeing programmes<sup>iii</sup> offered by most organisations often fail to drive material improvements in outcomes. This is not because they are the wrong actions, but because they fail to address the biggest lever to improve health: negative work behaviours. Successfully tackling this requires redesigning the

way work is done in teams throughout the organisation, rather than just focusing on specific individuals. Businesses need to put psychological and social safety on the same footing as physical safety to tackle the root cause of poor employee health and wellbeing.

### WHY DOES THIS MATTER FOR SECURING INVESTMENT?

Environmental, Social, and Governance (ESG) reporting has grown quickly over the past decade. At present, measures for the “S” focus heavily on physical health and safety, but there are moves to make the “S” include employee health and wellbeing measures. Given the size of the prize, investors are likely to start allocating funds based on wellbeing, as they have started to do on the “Environmental” and “Governance” dimensions of ESG. Businesses should act now to stay ahead of the curve.

### MAKING A COMMITMENT FOR THE FUTURE

CFOs can play a leading role on this issue, given their focus on sustainable value and should initiate a boardroom discussion on investing in employees to support future business success.

**“Investing in employee wellbeing is not only the right thing to do, but also the smart course of action to achieve superior performance. This report is a real tour-de-force and ambitious attempt at quantifying the business case for putting employee wellbeing and mental health at the heart of business and public policy making. This outstanding analysis by BITC and McKinsey Health Institute clearly shows the business imperative to act now.”**

Jan-Emmanuel De Neve,  
Director, Wellbeing Research  
Centre and Professor of  
Economics and Behavioural  
Science, University of Oxford

### THE BUSINESS CASE FOR INVESTMENT IN EMPLOYEE HEALTH AND WELLBEING

#### THE CURRENT CHALLENGE

Today, UK businesses are facing the economic impact of the pandemic, a cost-of-living crisis, ongoing labour shortages, and high employee attrition – all of which are having a profound effect on employees. Recent data suggests that only nine per cent of employees are engaged or enthusiastic about their work, ranking the UK 33<sup>rd</sup> out of 38 European countries<sup>iv</sup>. Many employees report a lack of enthusiasm about their job (51%), being under extensive pressure (23%), and exhaustion (25%). One in eight employees even report that they are miserable<sup>v</sup>. BITC's latest cost-of-living research showed that 52% of UK adults felt their current financial situation is negatively impacting their mental health<sup>vi</sup>.

Furthermore, these pressures may be exacerbating existing inequalities. For example, one study found that 23% of Black or Black British people are experiencing a common mental health problem in any given week, compared to 17% of White British people<sup>vii</sup>.

As organisations seek to build diverse and inclusive workforces, they may examine how race, gender, sex, religion and ethnicity are among factors that can correlate with unmet social needs, including access to mental health services. Now, more than ever, it is vital that responsible employers prioritise investment in people.

#### SUPPORTING EMPLOYEE HEALTH AND WELLBEING

Employers have a clear role to play in supporting employee health and wellbeing. Holistic health includes four key aspects of health – physical, mental, social and financial. Directly or indirectly, employers can either support their people to strive for optimal health or exacerbate their health challenges.

See our [collection of case studies](#) for examples of employers who have invested in employee health and wellbeing

**“At Costain, we've seen first-hand that when employees thrive, so does the business. That's why we're proud to embed wellbeing into the heart of everything we do. It's not just about attracting and retaining top talent; wellbeing is a vital ingredient in improving productivity, performance and engagement and achieving long-term success. We recognise that there is always room for improvement, and we're constantly pushing ourselves to ensure Costain is a great and inclusive place to work where people can be their best and thrive.”**

Helen Willis, CFO, Costain

### **WHY INVESTING IN A THRIVING WORKFORCE MATTERS**

**WE DEFINE WORKPLACE WELLBEING AS EMPLOYEES FEELING SATISFIED AND ENERGISED WITH AND BY THEIR WORK AND FINDING PURPOSE IN THEIR CAREERS.**

**THRIVING EMPLOYEES ARE THOSE WHO REPORT HIGH WORKPLACE WELLBEING.**

**WHAT MAKES FOR THRIVING EMPLOYEES IS THE MUTUALLY SUPPORTIVE RELATIONSHIP BETWEEN MENTAL, PHYSICAL, FINANCIAL, SOCIAL AND ENVIRONMENTAL HEALTH.**

Investing in a thriving workforce improves financial performance and competitiveness. The consolidated evidence from academic literature and industry studies supports the EVP for investing in employee health and wellbeing and creates a compelling case for investment. As the stewards of their organisations, CFOs, in particular, are ideally placed to put wellbeing on the corporate agenda and support the introduction of employee health and wellbeing programmes in order to reap value for the organisation in the long term.

The EVP is based on eight drivers which define the value at stake for supporting employee health and wellbeing (Exhibit 1), of which six are quantified for the UK.

**“At National Grid we believe that if we want our employees to be at their peak performance, investing in their health and wellbeing is critical, and it needs to go beyond addressing the issue of absenteeism to recognising that presenteeism plays a vital role. When we take steps to ensure our employees are healthy, productive and happy, everyone wins.”**

Andy Agg, Group CFO,  
National Grid

ECONOMIC VALUE PROPOSITION (EVP)

EXHIBIT 1: ECONOMIC VALUE PROPOSITION FRAMEWORK



1-Gartner glossary, Gartner, Inc. (2023), available at: <https://www.gartner.com/en/human-resources/glossary/attrition>  
 2-Van Vulpen, E. (2023) Academy to Innovate HR, available at: <https://www.aihr.com/blog/absenteeism/>  
 3-Dictionary. Cambridge University Press and Assessment. Available at: <https://dictionary.cambridge.org/dictionary/english/presenteeism>  
 4-Huettich, J. (2023) What is productivity in the workplace? And why is it important? MindManager, available at: <https://blog.mindmanager.com/202005202003what-is-productivity-in-the-workplace/>  
 5-Holliday, M. (2021) What is Employee Retention? Benefits, Tips & Metrics. Oracle NetSuite, 8 March 2021, available at: <https://www.netsuite.com/portal/resource/articles/human-resources/employee-retention.shtml>  
 6-De Montfort University, Leicester (2023) available at: <https://www.dmu.ac.uk/business/work-with-our-students/make-diversity-your-business/attraction.aspx>



## PRIORITISE PEOPLE: UNLOCK THE VALUE OF A THRIVING WORKFORCE

The direct costs of poor employee health and wellbeing include the following:

- Attrition: the impact of employee health and wellbeing on an employee's decision to leave.
- Absenteeism: the impact of employee health and wellbeing on sick days and leave taken by employees.
- Healthcare costs: the costs of poor health and wellbeing as reflected in an employer's coverage of employee healthcare costs. In the UK, a meaningful proportion of this translates to cost pressures for the NHS. It also strongly affects UK companies with employees based in the US (or other countries with largely private healthcare systems).
- Presenteeism: the negative impact of poor employee health and

wellbeing on productivity at work (i.e., output or production, engagement, and performance metrics).

The benefits created through good employee health and wellbeing include the following:

- Productivity: the incremental positive impact of improved employee health and wellbeing on output or production, engagement, and performance metrics, due to improved creativity, feelings of shared purpose, or connectedness to one's workplace.
- Retention: the impact of employee health and wellbeing on an employee's decision to remain at an organisation.

- Attraction: the impact of employee health and wellbeing on attraction and recruiting potential for an organisation.
- Ability to attract investment: the forward-looking advantage expected in gathering investment by companies with higher levels of employee health and wellbeing (i.e., goodwill from investors), as wellbeing becomes a part of ESG metrics.

This framework offers a holistic view of both protecting against the downside impacts of poor employee health and wellbeing and the upside benefits of enhanced wellbeing, coming to a larger and more comprehensive perspective of the true value that is possible.

### THE STRENGTH OF THE EVIDENCE BASE LINKING EMPLOYEE HEALTH, COSTS AND BENEFITS

Research methodology was taken into account when assessing the strength of the evidence, whether the evidence was based on randomised controlled trials (RCTs), formal experiments, observational or descriptive studies. Absenteeism and presenteeism had strong evidence linking them to the direct costs of poor health. Multiple studies have sized the cost associated with absenteeism and presenteeism (a leading cause of poor productivity) to employers across geographies and industries and made the link to employee health. For example, a RCT in The Lancet showed that deploying a mental health training programme for managers in the Australian Fire and Rescue Service saw decreased sickness absence (6.45 hours per six months) and an associated return on investment of £9.98 for each pound spent<sup>viii</sup>.

Having thriving employees is a way of creating a sustained competitive advantage over time. A strong correlation is demonstrated between employee health and wellbeing and stock market performance at

companies with a four-factor annualized alpha of two to three per cent exhibited for companies with higher job satisfaction<sup>ix</sup>. This is especially in true countries with high labour market flexibility, such as the UK<sup>x</sup>.

Of the benefits created through good employee health and wellbeing, the strongest link was seen in productivity. Multiple sources of research demonstrated a strong correlation between employee health and wellbeing and improved productivity at work. When employees are thriving, BITC research shows that 84% feel more productive and 79% are more creative<sup>vi</sup>. Gallup's meta-analysis showed an 81% difference in absenteeism and a 23% difference in profitability between top- and bottom-quartile units by employee engagement<sup>xi</sup>.

There is also a growing body of evidence supporting a causal link. For example, a RCT conducted in 2015 showed an increase in productivity of up to 12% as a result of improved employee health and wellbeing as measured by self-reported happiness<sup>xii</sup>. In 2019, in the UK, a study of 1,793 BT telesales workers provided causal evidence linking

**“There is a clear link between a thriving workforce and sustainable business performance, yet organisations still need to go further with their investment in employee wellbeing. Looking after your people and enabling them to be happy, healthy and performing at their best is the foundation of any business strategy, whether a large global corporation or a start-up. At Bupa, wellbeing sits at the heart of our purpose, where we are committed to helping our people and our customers to live longer, healthier, happier lives and impact communities to make a better world.”**

Siobhan Moynihan, CFO,  
Bupa Global & UK

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happiness and productivity resulting in +3 sales per week (12% increase over a base of 25) per unit increase in employee happiness along a zero-ten scale<sup>xiii</sup>.

There is also evidence for improved attraction of helping employees to thrive. Employees

are increasingly voting with their feet, with one study demonstrating employees are willing to pay a premium equivalent to ~ ten percent of their salary to work for an employer with an above average happiness scale<sup>xiv</sup>.

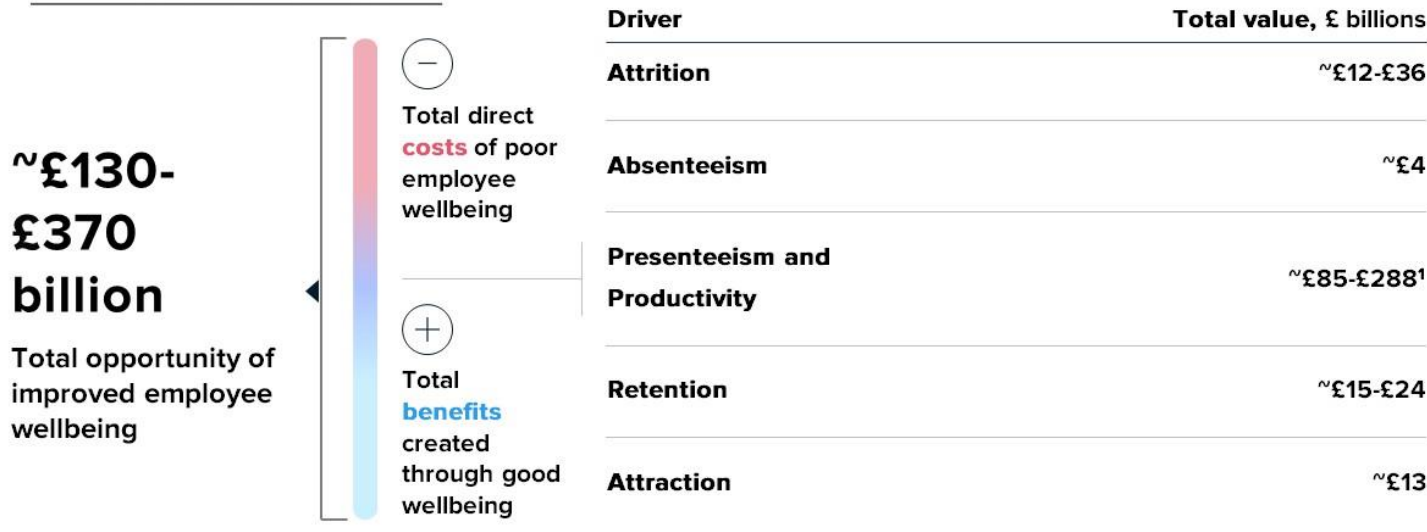
**“The business case for having employee wellbeing at the forefront of an employer’s thoughts is overwhelming. The challenge for industry however is to develop a holistic approach with a long-term view to this rather than simply trying to measure the short terms costs.”**

Mo Akhmed, Managing Director, AVRS Systems Ltd

## WHAT’S AT STAKE – THE SIZE OF THE PRIZE

### EXHIBIT 2: IMPACT SIZING OF THE UK ECONOMIC VALUE OF INVESTING IN WELLBEING

ESTIMATED VALUES – TOTAL ROUNDED TO NEAREST £10 BILLION



1. Incremental value captured from presenteeism is ~£0-£110bn depending on the extent of overlap with increased productivity

Overall improving employee health and wellbeing in the UK could have an impact of up to ~£130-370 billion annually, or £4,000-£12,000 per UK employee. This is equivalent to a ~6-17% increase over UK GDP (Exhibit 2).

This analysis estimates that addressing absenteeism, presenteeism and attrition could yield up to ~£150 billion in losses mitigated per year, or £5,000 per employee in the UK. This is in line with AXA Health's wellbeing research, which uses a holistic review of employee health risk factors, and which estimates the impact of absenteeism, presenteeism and attrition combined as up to ~£180 billion<sup>xv</sup>.

Both these estimates are meaningfully higher than previous reports that estimate a total value of £42-45 billion in losses per annum due to absenteeism, presenteeism and attrition<sup>xvi</sup>.

While it is a distinct phenomenon, presenteeism is difficult to measure and disentangle from the way productivity is estimated. Therefore, this analysis has estimated presenteeism in terms of how much it contributes to poor productivity. The analysis estimates there were ~37 million days lost in 2021-22 due to work-related ill health and injuries, whereas there were ~1 billion days lost due to low productivity as a result of presenteeism<sup>xvii</sup>. The 1:27 ratio of absenteeism to presenteeism in the UK may be surprising. But the reality is that most workplace health and wellbeing programmes aim to address absenteeism rather than presenteeism, since absenteeism is the more easily observed issue.

Depending on the degree to which presenteeism and productivity outcomes overlap, there could be up to £110 billion in value saved in the UK from mitigating presenteeism.

Meanwhile, the benefits of good employee health and wellbeing (productivity, attraction, and retention) could yield up to £120-220 billion in incremental value, or £4,000-£7,000 per employee in the UK.

The size of the prize is big enough that even capturing up to 20% of this opportunity would lead to substantial improvements to UK GDP.

Though the range of impact is varied based on the underlying assumptions of the analyses, this report, alongside previously published work, demonstrates a clear case for investment into employee health and wellbeing in the UK. To capture this value, there first needs to be awareness of the size of this prize, followed by collective action to put employee health and wellbeing on the agenda of British businesses.

### WELLBEING & ESG

The "Social" component of ESG includes impact on employees, wider community and society. Current employee health measures of the social element focus heavily on health and safety metrics such as the number of accidents and/or deaths. However, the definition is likely to be expanded to include a much more holistic view of employee health and wellbeing, since there are several organisations currently looking at whether and how to redefine the social element of ESG.

### THE INVESTOR PERSPECTIVE – PARALLELS BETWEEN THE 'E' AND 'S' OF ESG

Over the last decade, investors are increasingly using ESG metrics as one measure in their decision on how to allocate their capital; this includes both private capital and large institutional investors. We are now in a world where green investments match the investment in fossil fuel production<sup>xviii</sup>.

Parallels can be drawn between the path of environmental sustainability and employee

health and wellbeing. Concern for environmental sustainability surfaced as early as the 1970s, but as the evidence grew of the value created for business by improving environmental sustainability, the momentum to act significantly accelerated in the past 10-20 years. For example, marginal abatement cost curves published in the 2000s helped to prove and radiate the most effective ways to target carbon emissions. Between 2012 and 2018, investment in assets with explicit sustainability goals grew by 15% a year. By 2018, such investments accounted for 11% of professionally managed assets globally. In January 2021, BlackRock, the world's largest asset manager, asked the CEOs of companies in which it holds shares to explain how they plan to achieve net-zero emissions by 2050.<sup>xix</sup>

### IMPLICATIONS FOR EMPLOYERS

Over time, investors are likely to allocate funds based on the health of the workforce, as they do today on other ESG criteria. If they do, it will have important implications for the ESG community and CFOs. It suggests that over time, an organisation's ability to support employee health and wellbeing will impact its ability to attract investment, and potentially its long-term financial

**“At Business in the Community, as an SME, our people are the primary asset of our organisation and fundamental to our success in supporting businesses with improving their Social and Environmental impact. This research shows what a bearing wellbeing has on our people and therefore by recognising this, and investing in and supporting our colleagues, we can ensure that both the staff and the charity maximise our chance of success.”**

Charles O'Neill, CFO, Business in the Community

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performance. This is true for large organisations with significant institutional investment, but also smaller enterprises looking to secure financing. Companies have an opportunity to get ahead of this trend. CFOs can lean into the trend, they can change the discussion in the boardroom and be more proactive in how much they invest in health and wellbeing and in the type of investments that they make. Businesses with happier, healthier workforces tend to outperform their peers in the long run<sup>ix</sup>.

### TAKING ACTION TO IMPROVE WELLBEING

Many organisations are already making an effort to improve employee health and wellbeing. For example, the COVID-19 pandemic amplified many mental health issues, leading employers to increase their focus on mental health and wellbeing in the past three years. Estimates show that nine in ten organisations are offering some form of wellbeing programme to employees incorporating benefits such as yoga classes, mindfulness and time management workshops, paid subscriptions to meditation apps, and extra days off from work for mental healthcare<sup>iii</sup>.

However, to date, most employee health and wellbeing initiatives have focused primarily on addressing the symptoms rather than the root causes. They are also focused on reducing the cost of poor health as opposed to investing in optimum health for employees. As a result, many employers are not seeing a “VOI”, or “Value on Investment”, of a health and wellbeing strategy. Instead, businesses need to rethink their approach.

### ADDRESSING THE ROOT CAUSES - UNDERSTANDING THE WORKPLACE FACTORS THAT DRIVE EMPLOYEE HEALTH AND WELLBEING

Understanding the workplace factors that are driving poor outcomes is the first step to forming a coherent strategy to tackling employee health and wellbeing.

A 2022 survey by MHI of ~15,000 employees across 15 countries highlighted eight workplace factors that were important in driving employee mental health and wellbeing outcomes (Appendix B).

**“Investing in human capital is critical to long term business value and success and one of the key promises in our BT code is ‘We always put wellbeing and safety first’. At BT we know that promoting and supporting the wellbeing of our colleagues is critical to building the organisational capabilities that we need to deliver our strategy and transformation at pace.”**

Simon Lowth, CFO, BT Group

**“I believe that people investment underpins everything, and as we move to an increasing complex world with competing priorities, I see that businesses need to take this further. We need to revolutionise ways of working by putting thriving employees at the heart and centre of our organisational purpose. Only then do we have a fighting chance of delivering our business strategy.”**

Duke Dayal, CFO, Santander UK

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In their 2022 paper on employee mental health, MHI points to some “non-negotiable” workplace factors to prioritise when forming a mental wellbeing strategy (Exhibit 3).

That report highlighted that negative workplace behaviour<sup>xx</sup> explains 60% of the negative variance in mental health and wellbeing outcomes. Negative workplace behaviour can be identified as negative interpersonal experiences suffered by employees, such as unfair treatment, exclusion from leaders or co-workers, derogatory and undermining behaviours and abusive management. Absence of negative workplace behaviour is particularly important due to its inter-dependency with other factors. This means that failing to address negative workplace behaviour in an organisation can mitigate the effect of any other health and wellbeing interventions.

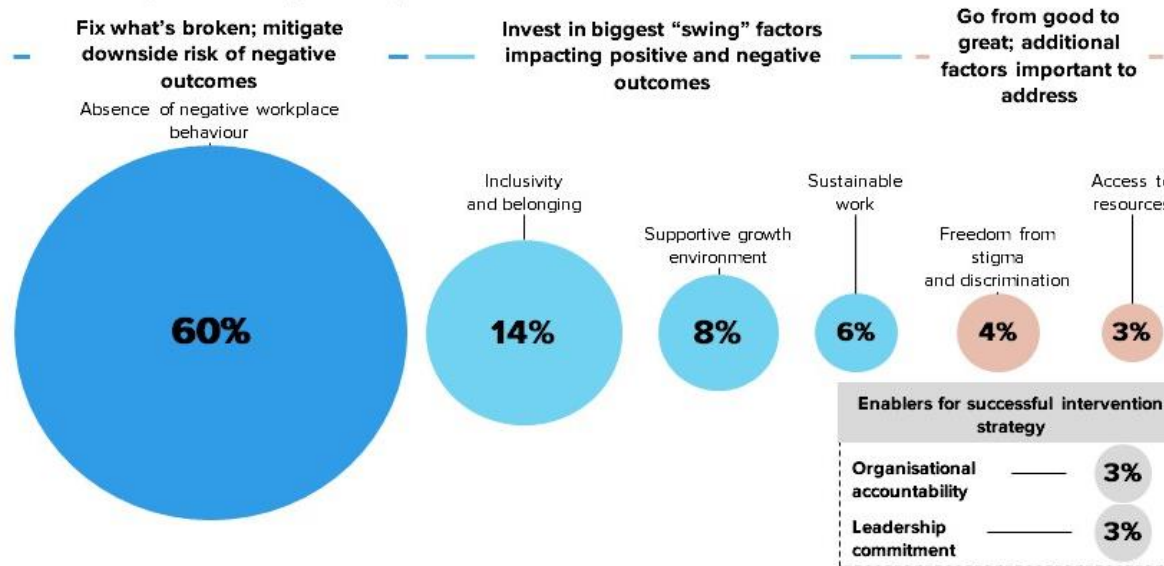
Somewhat counterintuitively, the mental health and wellbeing factors discussed most frequently and where a large proportion of investment has been made historically - e.g., providing access to resources - are responsible for a relatively small proportion of variance in wellbeing outcomes. The largest value of health and wellbeing programmes will come from ensuring that people work in a space that supports their psychological safety and with better interpersonal relationships and interactions with peers and leaders. Providing access to resources and supporting people when they do have poor health and wellbeing are important. Quickly rolling out initiatives can also be a signal to employees that the organisation is committed to change. However, to create the desired dividends for employee health and wellbeing over the long-term, focus investments on the factors that are going to have the biggest impact for employees, even if these will be the more challenging ones to implement.

**“At EMCOR UK our purpose is to create A Better World at Work for our people, customers and partners. People are the foundation to a successful business and by investing in our people to ensure their mental and physical wellbeing, this will future proof our businesses for years to come.”**

Cheryl McCall, CFO, EMCOR Group (UK)

## EXHIBIT 3: START WITH THE MOST PRESSING ISSUES TO MAXIMISE IMPACT FROM INTERVENTIONS

Relative variance explained by workplace factor<sup>1</sup>



Based on linear regression and relative importance analyses of workplace factors influencing employee outcomes  
 Source: McKinsey Health Institute Employee Mental Health and Well-being Survey 2022 (n=14,509)

**“At Lloyds Banking Group our people are key to our success. It’s imperative we support their health and wellbeing to help our colleagues support both customers and fellow colleagues. This demands more than a range of initiatives; it means truly embedding the health and wellbeing of our people at the heart of our business.”**

Chris Edis, Finance Director,  
 Commercial Banking, Lloyds  
 Banking Group



### ASSESSING THE STARTING POINT OF A BUSINESS

To assess the impact of any initiatives, businesses should understand their starting point and their unique challenges and strengths. There are multiple methods and tools to diagnose an organisation's mental health and wellbeing maturity. You can find examples of some of these assessments and tools in the [resource section](#) of the BITC "Prioritise People" landing page. Whatever method or tool they choose, businesses should select an assessment that will allow them to track measurable metrics or outcomes so they can view progress over time.

### SELECTING A PORTFOLIO OF EMPLOYEE HEALTH AND WELLBEING INVESTMENTS

Once businesses have understood the state of their organisation's health and wellbeing they need to define the concrete and measurable objectives they want to accomplish and design the interventions to invest in.

Health risks, such as elevated blood pressure, obesity, poor diet, physical inactivity, cardiovascular risk and symptoms of burnout, depression, and anxiety, are all measurable and reportable. As shown earlier in this report, it is possible to estimate the costs of attrition, absenteeism and presenteeism in an employee population and see the value in reducing their rates. Therefore, if businesses work with a third-party provider of healthcare services, it is not unreasonable to expect providers to be able to track VOI based on health risk reduction. Setting metrics on moving employees to more optimal health is trickier, but still possible.

All companies have different contexts, needs, culture, and resourcing which should be considered. But interventions with a robust evidence base of success should be selected where possible. As a source of inspiration, BITC has listed some of the free databases available, including from MHI and from the World Health Organization (WHO), which compile evidence from academic literature and/or case studies. These are available in the [resource section](#) of the BITC "Prioritise People" web page.

**“While leading companies appreciate the value of wellbeing, tracking value creation has remained a challenge for CFOs. Measures of absence and presenteeism are complicated, time consuming to obtain and often not robust. However, given the strong science base available, health risks (such as elevated blood pressure, obesity and physical inactivity) give a good basis for modelling the cost burden of negative productivity. Therefore, tracking the reduction of health risks offers a simpler alternative to assess value on investment.”**

Roland Moquet, CFO, AXA UK

## **PRIORITISE PEOPLE: UNLOCK THE VALUE OF A THRIVING WORKFORCE**

To ensure a holistic employee health and wellbeing approach, it is important to set initiatives that target multiple levels within an organisation i.e. the individual, the team, and organisation-wide. Many current health and wellbeing programmes over index on individual-focused interventions while underinvesting in system level initiatives that are needed to solve the root of the issue.

### **TRACKING AND MONITORING INTERVENTIONS**

The impact of initiatives should be measured through clear, memorable, and trackable KPIs to ensure that they are working. The leader with accountability for delivery of the intervention, should be preferably a senior team member and ideally be supported by the CHRO or the most senior leader driving behaviour change in the organization.

**“Mercer helps a huge number of organisations develop their unique business case for a thriving workforce and as a CFO I apply the same rigorous standards inside the firm and wouldn’t sign off on programmes that can’t demonstrate their value. As the BITC report shows, the value for balancing business with empathy and empowerment of a diverse workforce is massive. On a personal note, it can’t be overstated how important it is for leaders to lead by example and contribute to a culture of health at work!”**

Tony O’Dwyer, CFO, Mercer UK

### CONCLUSIONS

This report has identified the following issues:

- Current approaches to employee health and wellbeing are underestimating the substantial benefits of a thriving workforce for UK businesses and wider society. This report estimates that having a thriving UK workforce could boost the UK economy by up to £130-370 billion. Even capturing up to 20% of this opportunity would lead to substantial improvements to UK GDP.
- There is a strong business case for businesses to revolutionise ways of working so their employees can thrive; and in so doing, generate sustainable long-term value for their organisations, communities and society.
- Over time, investors are likely to allocate funding based on an expanded definition of “Social” in ESG, which accounts for the health of the workforce. Companies have an opportunity to

anticipate and respond to this trend in investor behaviour by proactively investing in employee health and wellbeing.

- Many existing employee health and wellbeing intervention strategies care about prioritising the individual and addressing the symptoms.
- Businesses could see a better VOI by taking a portfolio approach and targeting actions at individual, team and organisational levels, and addressing root causes as well as symptoms.
- Early adopters are likely to be rewarded, but they must be willing to make a commitment for the future, and treat a thriving workforce as a critical capital asset on balance sheets and put them at the heart of their organisational purpose and strategy.
- CFOs can play a leading role on this issue within their organisations. CFOs can initiate a boardroom discussion on investing in thriving employees, using our [insights slide deck](#) available for download.

### NEXT STEPS

For its part, BITC will support UK business to join the revolution through these steps :

- Events and webinars aimed at CFOs and executives to raise awareness and build engagement with this report.
- A simple and accessible measurement evaluation tool that uses [BITC's Workwell Model](#) as a company reporting template – available autumn 2023
- A roadmap to support all organisations from where they are now to develop a strong wellbeing culture – available autumn 2023.

### ABOUT THE AUTHORS

#### MCKINSEY HEALTH INSTITUTE (MHI)

[MHI](#) is an enduring, non-profit-generating entity within McKinsey & Company. It was founded on the conviction that, over the next decade, humanity could add as much as [45 billion extra years of higher-quality life](#). MHI's mission is to catalyse the actions needed across continents, sectors, and communities to realise this possibility.

#### BUSINESS IN THE COMMUNITY (BITC)

BITC and our network of business members are leading a movement to create a fair and sustainable world in which to live and work. Formed in 1982, and with His Majesty King Charles III as our Royal Founding Patron, we are the largest and longest-established membership organisation dedicated to responsible business. We work with our network of businesses that represent more than 20% of the UK workforce to continually grow responsible business practices, uniting their efforts for greater social and environmental impact in our communities.

#### BITC WELLBEING LEADERSHIP TEAM

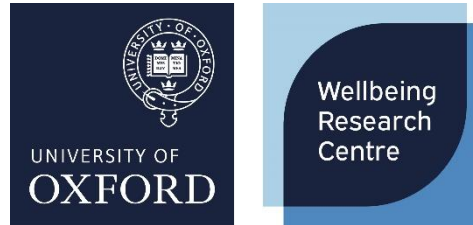
- Javier Echave, CFO, Heathrow Airport (chair)
- Susannah Clements, Group Director of People, **Anglian Water**
- Dr Chris Tomkins, Head of Wellbeing, **AXA Health**
- Louise Harvey, Commercial Director, **Bupa**
- David Taylor, Group Commercial Director, **Costain**
- Jonathan Gawthrop, Executive Director Wellbeing, Sustainability & Assurance, **EMCOR UK**
- **Amanda Owen MBE**, Global Safety, Health, and Wellbeing Director, **Heathrow Airport**
- Judith Butler, Engagement & Responsible Business Director, **Lloyds Banking Group**
- **Dr Wolfgang Seidl**, Partner, Workplace Health Consulting Leader Multinational Client Segment, **Mercer**
- Stacey Sutton, Executive Director, EMEA Health & Benefits, **Morgan Stanley**
- **David Wright**, Group Chief Engineer & Group Director of Safety, Health & Business Resilience, **National Grid**
- **Damien Shieber**, Head of Culture, Inclusion and Experience, **Santander**
- **Dr Fiona Adshead**, Chair, **Sustainable Healthcare Coalition**

### BITC ECONOMIC VALUE PROPOSITION (EVP) WORKSTREAM TEAM

- David Wright, Group Chief Engineer & Group Director of Safety, Health & Business Resilience, **National Grid (chair)**
- Louise Aston, Wellbeing Director, **Business in the Community**
- Sam Balch, Campaigns & Content Director, **Business in the Community**
- Holly Pearce, Head of Inclusion and Diversity, Business & Commercial and Corporate Institutional Banking, **Lloyds Banking Group**
- Barbara Jeffery, Partner, **McKinsey Health Institute**
- Hannah Mirman, May Lim, Rosella Pang, Consultants, **McKinsey Health Institute**
- Thomas Blakey, Health and Wellbeing Manager, **National Grid**
- Dr Wolfgang Seidl, Partner, Workplace Health Consulting Leader Multinational Client Segment, **Mercer**
- Dr Fiona Adshead, Chair, **Sustainable Healthcare Coalition**

### CONTRIBUTORS:

#### WELLBEING RESEARCH CENTRE AT THE UNIVERSITY OF OXFORD



[The Wellbeing Research Centre at the University of Oxford](#) is an interdisciplinary research group and global leader of the empirical science of wellbeing. The Centre has four main research streams: measurement, cause and effect, policy and interventions, and the future of wellbeing. The Centre explores wellbeing across the lifespan and has particular expertise on workplace wellbeing.

### BITC CHIEF FINANCIAL OFFICER AND EXECUTIVE ADVISORY BOARD

- Steve Buck, CFO, **Anglian Water**
- Roland Moquet, CFO, **AXA UK**
- Siobhan Moynihan, CFO, **Bupa Global & UK**
- Charles O'Neill, CFO, **Business in the Community**
- Helen Willis, CFO, **Costain**
- Cheryl McCall, CFO, **EMCOR Group, UK**
- Javier Echave, CFO, **Heathrow Airport**
- Chris Edis, Finance Director Commercial Banking, **Lloyds Banking Group**
- Tony O'Dwyer, CFO, **Mercer UK**
- Andy Agg, Group CFO, **National Grid**
- Tom Ranger, Treasurer, **Santander UK**
- Heather Melville, Senior Managing Director, **Teneo People Advisory**
- Liz Hegarty, MD, Aviation and Transport Services, **Wilson James**

## APPENDIX A: IMPACT SIZING METHODOLOGY

Driver	Formula to calculate value
Attrition	$\text{Total turnover} = \text{Total number of employees}^1 \times \text{Turnover rate}^2 \times \% \text{ of turnover due to wellbeing}^{3,4}$
	$\text{Cost of turnover per employee} = \% \text{ of employee pay loss due to turnover}^{3,5} \times \text{average employee pay}^6$
Absenteeism	$\text{Est. working days lost due to work-related ill health and non-fatal workplace injuries}^7$
	$\text{Average daily pay}^6$
Presenteeism	$\text{Productive days lost} = \text{Productive days/hours lost per employee}^8 \times \text{Total number of employees}^1$
	$\text{Average daily/hourly pay}^6$ <i>Incremental value captured from presenteeism depends on the extent of overlap with increased productivity</i>
Productivity	$\text{Increase in productivity associated with increased wellbeing}^{9,10,11}$
	$\text{Average value of productivity} = \text{Average daily/hourly pay}^6 \times \text{Total number of employees}^1$
Retention	$\text{Total turnover} = \text{Total number of employees}^1 \times \text{Turnover rate}^2 \times \% \text{ turnover due to wellbeing}^{3,4}$
	$\text{Benefit of retention} = \text{Relative performance in first and second year of tenure compared to average}^{12} \times \text{annual pay}^6$
Attraction	$\text{Total premium by employees for employers with an above-average happiness score in the UK}^{13}$
	$\text{Total turnover} = \text{Total number of employees}^1 \times \text{Turnover rate}^2$

Total direct costs of poor employee wellbeing











Total benefits created through good wellbeing



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## APPENDIX B: WORKPLACE FACTORS

<b>Workplace factor</b>	<b>Definition</b>
 <b>Access to resources</b>	Organisation offers easy-to-use and accessible resources that fit individual employee needs related to mental health
 <b>Absence of toxic workplace behavior</b>	Employees do not face negative interpersonal experiences such as unfair treatment, exclusion from leaders or co-workers, derogatory and undermining behaviours, and abusive management
 <b>Sustainable work</b>	Organisation and leaders promote work that enables a healthy balance between work and personal life, including a manageable workload and work schedule
 <b>Inclusivity and belonging</b>	Organisation systems, leaders, and peers foster a welcoming and fair environment for all employees to be themselves, find connection, and meaningfully contribute
 <b>Freedom from stigma and discrimination</b>	Freedom from the level of shame, prejudice, or discrimination employees perceive toward people with mental health or substance-use conditions
 <b>Leadership commitment</b>	Leaders consider employee mental health a top priority, publicly committing to a clear strategy to improve employee mental health
 <b>Supportive growth environment</b>	Managers care about employee opinions, wellbeing, and satisfaction and provide support and enable opportunities for growth
 <b>Organisational accountability</b>	Organisation gathers feedback, tracks KPIs, aligns incentives, and measures progress against employee health goals

Source: McKinsey Health Institute Employee Mental Health and Well-being Survey 2022 (n= 14,509)

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