

Understanding business performance from the perspective of HR Professionals

The role of employer funded health insurance

Southern Cross Health Society | June 2016

Measuring what matters

While there are many research studies that analyse the drivers of employee engagement within an organisation, few studies have looked at what key metrics aid in the growth of business performance from a HR professional's perspective. Southern Cross Health Society teamed with the Human Resource Institute of New Zealand (HRINZ) to establish industry benchmarks around these key metrics, such as employer funded health insurance, and to understand the role they play in driving business performance – from better attraction and retention to staff, to enhanced productivity and cultural benefits.

HRINZ members were approached to take part in a research survey conducted by Clarity Insights in June 2016 which revealed that although there are many factors that affect HR professionals the top strategic priorities facing businesses are: having high levels of employee satisfaction and engagement as well as customer retention and acquisition.

Snapshot of key findings

The majority of HRINZ members surveyed formally measure key people metrics:

- 76% measure employee turnover
- 65% measure employee satisfaction and engagement
- 63% measure employee absenteeism
- 32% measure employee productivity
- 10% don't measure any of the above

“Employees who feel their organisation cares about their wellbeing feel a stronger connection to the organisation and in turn increases employee engagement. Fostering positive relationships and environments.”

Unsurprisingly, as companies grow in size, they are more likely to formally measure these people metrics. However, companies who offer health insurance to their staff are also more likely to measure key metrics such as turnover and engagement than those companies' who don't.

- **Almost three quarters of HR professionals** believe employer funded health insurance has an impact on specific key people metrics including employee turnover, employee satisfaction and engagement, the number of sick days taken, and productivity.
- HR professionals believe offering employer funded health insurance is:
 - Linked to employee engagement (90%)
 - An effective way of attracting employees (27%)
 - An effective way of retaining employees (25%)
 - And that health insurance and wellness programmes are considered stronger attraction and retention drivers than other forms of insurance
- Most surveyed HR professionals are confident their organisation is prepared for the new health and safety legislation, albeit with questions around psychosocial responsibility.

Over **1/4** believe offering employer funded health insurance is an effective way of **attracting** and **retaining** employees



3/4

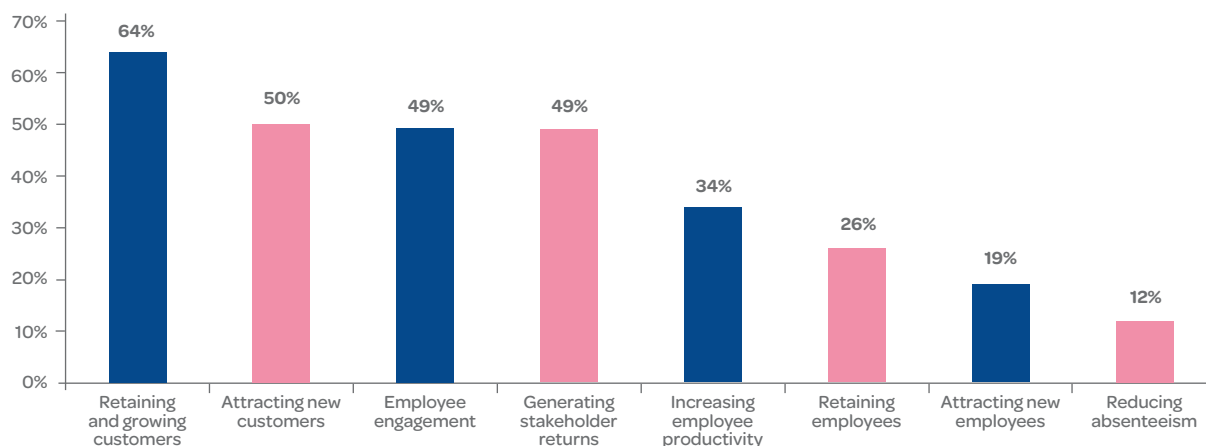
of surveyed HR professionals believe employer funded health insurance has an impact on:



1. Reducing employee **sick days**
2. Improving employee **productivity**
3. Reducing voluntary **employee turnover**

Strategic priorities for New Zealand businesses

Strategic priorities facing HRINZ member organisations



Today, strategic management is more vital than ever before to an organisation's success and competitive advantage. The impact of sustainable strategy on employee engagement, retention and attraction is an area of emerging importance for those surveyed. When asked to rank the top 3 strategic priorities facing their organisation, 64% rated retention and growth of customers as a clear pressing priority, followed by attracting new customers at 50% and employee engagement at 49%.

With research continuing to link employee engagement to customer retention¹ these results suggest that the organisations surveyed are becoming more aware of this connection. One aspect of increasing that engagement is workplace wellness and employer funded health insurance.

“Most employees find value in receiving health insurance as a benefit and it shows the employer values them therefore they become more engaged”

¹ Gonring, M.P. (2008) Customer loyalty and employee engagement: an alignment for value. The Journal of Business Strategy, 29(4), 29–40.

People metrics insights

Engagement and productivity

Employees are a business's biggest investment and should bring the greatest reward. Engaged employees are more productive, advocate for the organisation to their peers and often stay within the organisation for longer.²

The reason that engagement is now a focus for a number of New Zealand organisations is because it leads to real business results.³ With 9 out of 10 of those surveyed agreeing employer funded health insurance has an impact on employee engagement there is a clear dual effect, being both a financial as well a personal/family benefit.

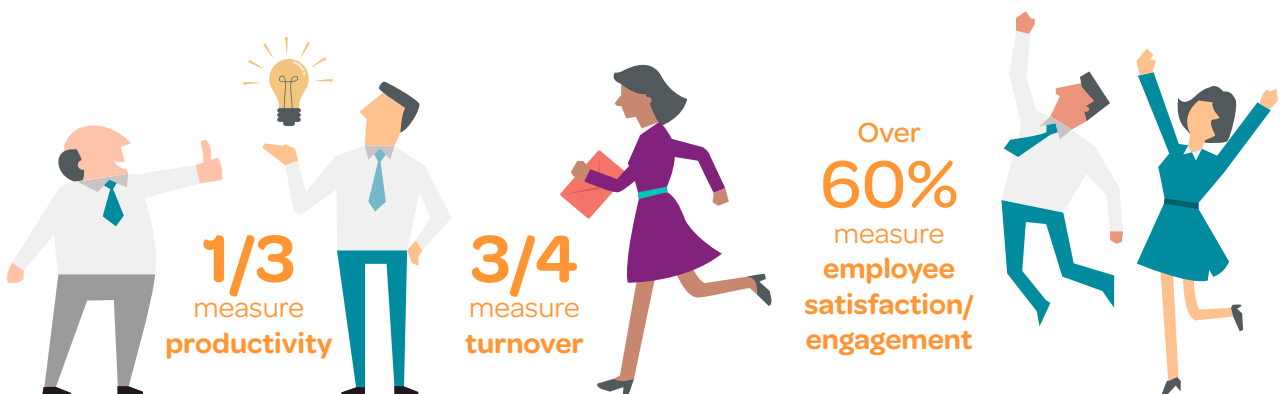
Along with employee engagement, the research also compared proxy productivity within the surveyed organisations. Proxy productivity is defined as an organisation's annual revenue divided by the total number of employees,⁴ the results indicated that company revenue was not commonly supplied by those surveyed with the annual value creation average per employee (annual revenue/ number of employees) being \$593,750.

Turnover

High employee turnover hurts a company's bottom line. Experts estimate that it costs upwards of twice an employee's salary to find and train a replacement and churn can damage morale among remaining employees. Defined as the number of employees leaving, voluntarily, as a percentage of the total number of employees at the beginning of a stated 12 month period, our research showed that the average percentage of voluntary employee turnover in the last year according to those surveyed was 14.6%.

The metrics measured by companies of survey respondents show the importance of turnover with 77% of those surveyed believing that employer funded health insurance has an overall impact of reducing voluntary employee turnover.

“Turnover costs for many organisations are very high and can significantly affect the financial performance of an organisation. Offering benefits like health insurance will definitely have a positive impact”



² Kruse, K (2012) Employee engagement research, Employee Engagement 2.0

³ Sorenson, S (2013) How employee engagement drives growth. The Business Journal

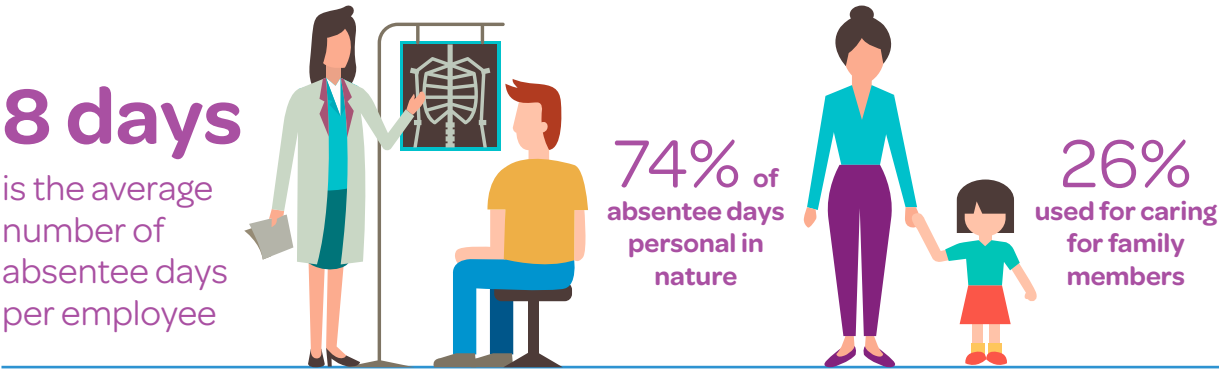
⁴ Borvsenko, K (2015) The high cost of employee turnover. TLNT

Absenteeism

The study reviewed employee absenteeism insights as being defined as the number of days per year an employee is absent from work due to health reasons. According to the HR professionals we surveyed, employees, on average, take 8 sick days a year, with 74% of leave relating to personal use whilst the remaining 26% was used for caring for family members.

Not only do high levels of absenteeism have a significant effect on the success of a business, they can also be the cause of poor morale and added stress among the employees who must cover the responsibilities of their absent colleagues.⁵

While a company cannot completely eliminate absenteeism, investing in employer funded health insurance supports employees in a return to work faster and demonstrates a company's commitment to its most valuable asset; its people.



⁵ Business NZ (2015) Wellness in the workplace survey. Southern Cross Health Society

The importance of workplace health and wellness

Our research results indicated that health and wellness programmes are becoming a more attractive employee benefit and, along with employer funded health insurance, are a recruitment advantage as a retention driver.

More than a quarter of respondents agreed that supporting workplace health and wellness attracts new staff (28%) and helps retain staff (32%). Whereas those offering employer funded health insurance believe it is an effective way of attracting employees (27%) and retaining staff (25%).

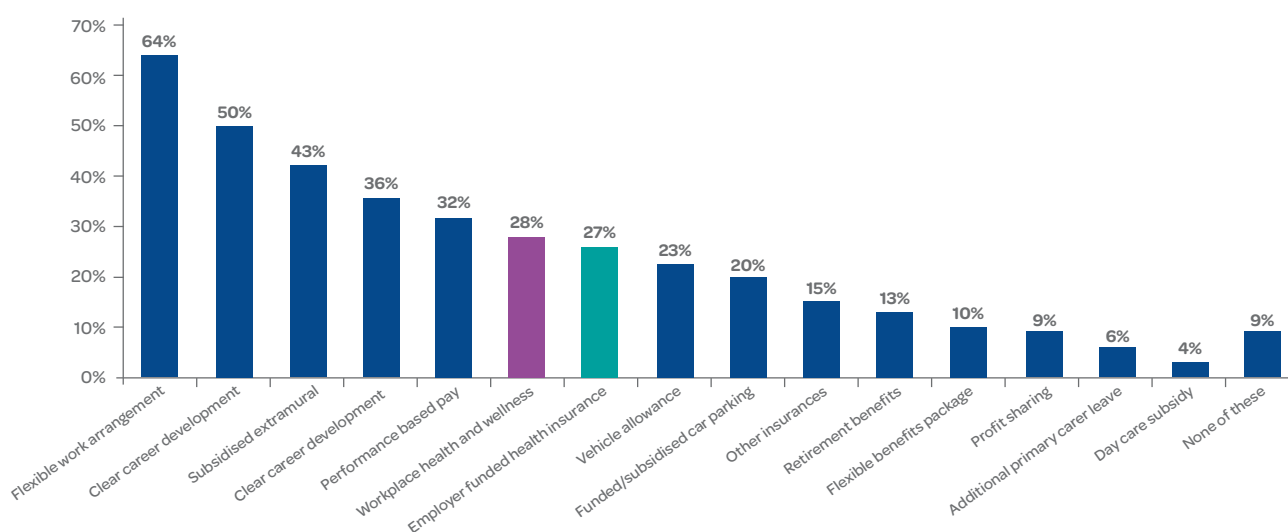
Of those surveyed, over half of the companies who offer employer funded health insurance believe it's an effective acquisition tool.

Health and safety

With the new health and safety legislation making the roles of HR and occupational health even more important, the respondents felt confident their organisation is well-prepared. The areas of development which create opportunities for HRINZ professional development include: seeking clarity around the HR person's responsibilities (27%), involving the workforce in a meaningful way (25%) and, interestingly, looking at what the legislation means from a psychosocial point of view for employees (23%).

It's commonly accepted that a key factor in the latter is a person's overall health and wellness, and who better to reinforce that than the employer.

Effective benefits to attract employees



In conclusion

Our research confirmed that creating a good work culture is important, and offering simple, yet tangible employee benefits can go a long way. By providing employer funded health insurance, New Zealand companies' are not only making a real difference to their staff's overall wellbeing, but increasing engagement and productivity, reducing absenteeism and retaining key staff through increased job satisfaction and loyalty.⁶

References

1. Gonring, M.P. (2008) Customer loyalty and employee engagement: an alignment for value. *The Journal of Business Strategy*, 29(4), 29-40.
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5. Business NZ (2015) *Wellness in the workplace survey*. Southern Cross Health Society/Business NZ
6. TNS (2015) *Understanding the employer benefits of health insurance*

⁶ Understanding the employer benefits of health insurance, TNS, August 2015