Decision makers in companies are driven by financial incentives: The Business Case

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Investing in OSH – how benefits beat the costs
September 17 & 18, 2014
Presentation Overview

- Business case: what is it?
- Review of studies on the economic effects of OSH interventions
- Tooling up OSH practitioners skills
- Guidance and tools for researchers and workplaces
- Integration of OSH and operations
- Summary and recommendations

OSH Economic Evidence and Business Case in 35 minutes
Business Case: What is It?

1. **Management tool** that supports planning and decision-making for an investment
2. Positions an investment decision in the **context of business objectives**
3. **Meant to generate the support** and participation needed to turn an idea for an investment/intervention into reality
4. Explains what the proposed intervention is about, how and who it will impact, each of the alternatives, the associated impacts, risks and **cost/benefit of each alternative**
5. Provides recommendations

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Key Features of the Business Case

- Company specific analysis
- Combines external evidence with internal intelligence
- Often about the financial bottom line but not always
- Generally prepared in advance of making an investment
What Economic Evaluation is About

Valuation
- Material resources
- People time
- Health

Consideration
- Individual
- Organization
- Society

Ultimate objective
- Maximize societal welfare
Evidence on Economic Effects of OSH Programs (1)

Summary of Systematic Reviews

• Several reviews synthesize evidence on economic effects of OSH
• Economic effects considered include earnings, productivity/presenteeism, labour-market engagement, organizational performance
• Key types of programs evaluated include:
  1) Health promotion, disease management and wellness
  2) Disability management
  3) Ergonomics
• Synthesis studies find economic returns for enterprises are positive within a few years after implementation for most programs
• Few full-fledged economic evaluations and quality is a concern
Evidence on Economic Effects of OSH Programs (2)

Economic Impact of Health Promotion and Wellness (Lerner et al., 2013)

- Studies of health behaviours programs published 2000-2010
- 32 of 44 studies identified reporting favourable economic effects
- Economic effects considered—health care expenses, work absences, and presenteeism
- 8 of 10 studies of sufficient quality to be included reported positive economic effects
- 7 of 10 studies reported findings in monetary terms, 4 of which accounted for both program costs and consequences, and 2 that considered direct and indirect costs
- Evidence regarding economic effects is limited and inconsistent

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Mental Health Programs with Economic Evaluations (Hamberg-van Reenen et al., 2012)

- Considered programs aimed at prevention and treatment as well as return to work published between 2000-2011
- 10 studies: 4 on prevention and 6 on RTW
- All 4 prevention studies had positive returns, but only 1 RTW study
- Worksite prevention and treatment programs might be cost-effective
- More high quality studies needed
**Evidence on Economic Effects of OSH Programs (4)**

**Impact of Health Promotion on Presenteeism (Cancelliere et al., 2011)**

- Studies of health promotion programs published 1990-2010
- 47 studies reviewed and 14 were included
- 4 studies considered of strong quality and 10 moderate
- **Key factors:** being overweight, poor diet, lack of exercise, high stress, and poor relations with co-workers and management
- Program components improving presenteeism: involving supervisors and managers, targeting organizational and environmental factors, screening, physical exercise during work hours, and individual tailoring.
- 10 of 14 studies showed evidence of positive effects on presenteeism
- **Conclusive evidence is preliminary for positive effects**
Financial impact of Nutrition and Physical Activity (van Dogen et al., 2011)

- Studies published up to 2011
- 18 studies: 13 non-randomized, 4 randomized and 1 modeling
- Economic effects included absenteeism and medical expenses
- Calculated net benefit and return on investment from study data
- Non-randomized studies suggest programs generate financial savings from reduced absenteeism and medical expenses (benefit-to-cost ratios of 1.95 to 4.87)
- According to randomized studies, programs do not generate savings
- Financial returns are positive in the first years after implementation, on average
Evidence on Economic Effects of OSH Programs (6)

Health Promotion and Disease Management (Pelletier, 2011)

- Studies of comprehensive health promotion and disease management programs published 2008-2010
- 8th in a series of critical reviews
- 27 new studies identified, with cumulative number amounting to 200
- New studies give further evidence of positive outcomes
- Guarded, cautious optimism about the clinical and/or cost-effectiveness
- Most studies are partial economic evaluations with a focus on returns to employers
Evidence on Economic Effects of OSH Programs (7)

OSH Business Case Synthesis (Verbeek et al., 2009)

- Studies of OSH business cases published up to 2008
- Identified 3 ex-ante and 23 ex-post business case studies
- Main benefit was avoided sick leave
- 19 studies had positive returns and 7 studies negative
- Median return was €214 per worker
- **Need for more studies, more sound assumptions on effectiveness and inclusion of uncertainty in analyses, as well as guidelines for reporting**

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Evidence on Economic Effects of OSH Programs (8)

Health and Safety Programs with Economic Analyses (Tompa et al., 2008 & 2010)

- Synthesized evidence on ergonomics and disability management programs published from 1990-2006
- Identified 35 ergonomic studies and 17 disability management studies
- **Strong evidence** in support of the financial merits of ergonomic programs in the manufacturing and warehousing sector, based on 6 studies
- **Moderate evidence** in administrative support services, health care and transportation sectors, based on 3 studies in each sector
- **Strong evidence** on the financial merits of disability management interventions in a multi-sector environment, based on 4 studies
- **Quality of studies a concern, as well as lack of standardized reporting—emphasized need for more economic evaluation studies**
More Evidence and Better Quality

- Few effectiveness studies included an economic analysis component
- Few randomized controlled trials (RCTs)
- Non-experimental studies generally did not control for confounders
- Many studies had short follow-ups
- Studies with economic analyses used different computational methods
- Narrow focus on workers’ compensation, absenteeism, and health care expenses
- No consideration of future resource implications
- **In general, need for more comprehensive consideration of economic impacts**
- **No direct valuation of health outcomes**
Why are Companies not Embracing the OSH Business Case?

Two in-depth interview studies undertaken in Ontario over the last few years to better understand how economic evaluation information is used in OSH decision making

- Manufacturing and service sectors (20+ interviews)
- Hospital and long-term care sectors (25+ interviews)
Findings from In-depth Interviews with OSH Managers

1. Lack of economics evaluation training in OSH departments
2. Data collection systems often not in place to undertake computations
3. **Disconnect between OHS, HR and operations**
4. Time constraints—OSH departments often under-resourced
5. Not clear where to get external information and support
Bridging the OSH-Operations Divide

- OSH managers lack data or access to data on output, productivity and human resources
- **OSH not integrated into the management information systems**
- As a result, OSH managers have poor understanding of organizational impacts of OSH investments

Economic Evaluation Training Workshop Recommendation to OSH Managers
Ensure OSH impacts are incorporated into organizational performance indicators by joining or starting a measurement task force!
International Efforts by Global Reporting Initiative (GRI)

GRI promotes a sustainable global economy by providing organizational reporting guidance

Health and safety performance is part of “corporate sustainability reports”

Objective is to move health and safety performance measurement from traditional lagging indicators to an integral part of an organization's external overall corporate reporting

How many organizations currently mention OSH in their annual report?

www.globalreporting.org
Developing Tools for Workplace Decision-Making

- Started with a systematic literature review of workplace OSH interventions with economic evaluations
- Developed a methods text for OSH researchers
- Continued with software for workplace parties
  - Ontario manufacturing and service sectors
  - BC health care
  - Manitoba multi-sector with training videos
- Licensed to France
- Created issue briefing for EPRI
- Developed full-day training workshops for OSH managers
- Planning a portfolio of case studies with business case guidance and supporting app

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Summary and Recommendations

• Growing body of literature on the economic effects of OSH programs
• Key types of interventions evaluated: health promotion, disease management and wellness; disability management; and ergonomics
• Between 65-80% of studies found positive returns for the organization
• Quality issues need to be addressed in next generation of literature
• More investment needed in tools and training for OSH managers to ensure better uptake of evidence

Message to OSH Intervention Researchers
Invite an economist to your next program evaluation planning meeting!