The Evolution of Workplace Wellness

Where we've been and where we're going

An employer resource from

IncentFit

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EXECUTIVE SUMMARY

Where did workplace wellness come from? And why has it become a business imperative? In this report, we reviewed a century of trends and changes in the industry. There are lessons to be learned from the evolution of what was once a niche interest—wellness—and predictions for what's to come.

April 2020 - First edition - Allie Ilagan

“**Wellness.** There’s a word you don’t hear every day. It’s a movement that’s catching on all over the country among doctors, nurses, and others concerned with medical care."

So begins a 1979 CBS broadcast segment by journalist Dan Rather.

"Wellness is a positive approach to health, and as one doctor says, recognizing that health is more than merely the absence of disease," he continued, introducing a feature on this "curious new program promoting lifestyle changes for the body, mind, emotions, and spirit."

Taking care of your health wasn’t a new idea, but the concept that we could have more than just an-apple-a-day-keeps-the-doctor-away? That your health goes beyond just physical fitness? And even perhaps, that your employer could take an interest in your overall well being? Now that’s something else.

We’re fascinated by the journey from wellness as a weird alternative movement, to wellness permeating our culture—from personal acts of self-care, to major employer-sponsored programs and benefits.

In this report, we reviewed a century of trends and changes in the industry. Each decade has key lessons, successes, and failures—all of which give us context to better understand what's to come.

It took time for wellness to get to its status today: with interest at an all time high, a thriving landscape of corporate wellness products, and a market size of $7.2 billion.

Today, we're spoiled for choice when it comes to wellness at work.

As an employee, you can earn money for checking in at the gym on your phone, contact your doctor via telemedicine, or participate in a friendly steps competition with your colleagues. As an employer, the choices are more sophisticated and structured than ever.

It's been roughly 100 years since the genesis of "corporate wellness." How did we get here and what did we learn along the way? And then, where are we going next?

Early 1900s

Key Takeaway: Businesses can't grow if employees are run into the ground.

The roots of corporate wellness trace back to the early 1900s, with the introduction of workplace standards.

The Industrial Revolution had led to unprecedented growth in manufacturing, but it also meant that men were working in factories more than 70 hours a week during this time—typically 12-to-16 hours a day, six days a week. And as we know now, that kind of punishing schedule is unsustainable and doesn't leave much room for actual *living*.

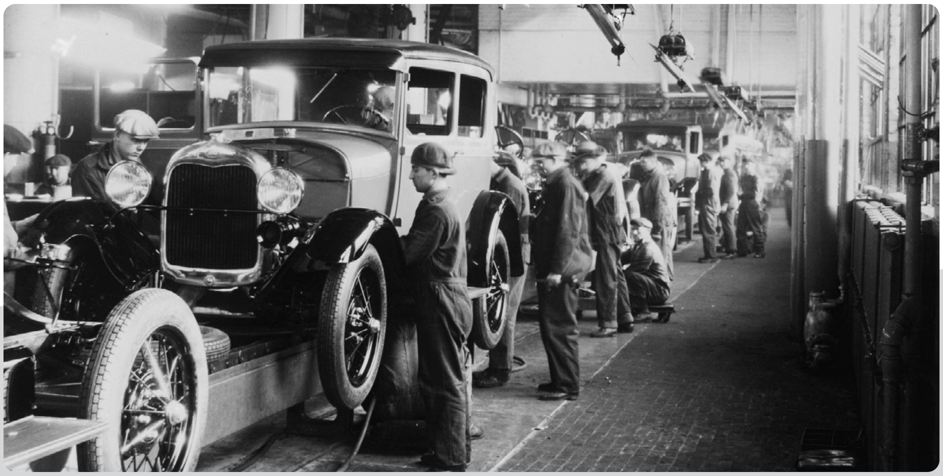
That began to change as labor unions fought for workers' rights and as employers saw the advantage of having a vital, alert, and rested workforce. A few key manufacturers—Ford, Hershey—invested in programs to keep their employees healthy and productive.

1905: Milton Hershey starts building a leisure park for employees of the Hershey Chocolate Factory, wanting a "more pleasant environment for workers and residents than any typical factory town of the time."

Here, we saw the introduction of regulated hours, negotiated wages, and a new focus on occupational hazards. These initiatives led to fewer accidents and more sustained productivity, but also happier and more loyal employees.

It's a long way off from 21st Century corporate wellness, but the fundamentals were getting into place.

Big changes lay ahead.



1926: Henry Ford introduces a 40-hour work week in his automotive factories, allowing workers more time to rest, be with their families, and spend money in the local economy.

1948: The World Health Organization launches to coordinate global health programs, prioritizing malaria, tuberculosis, venereal disease, women and children's health, nutrition, and sanitation.

1950s

Key Takeaway: Don't just focus on preventing sickness; mental health and personal struggles have a major impact, too.

While America was recovering from the second World War, employers were faced with an influx of returning veterans, as well as an increase in women entering the workforce.

Companies started taking a more structured approach to their employees' wellbeing, with the introduction of alcoholism-related programs to help reduce workplace accidents and stop alcohol and substance abuse.

These initiatives took shape as Employee Assistance Programs (EAPs), expanding to include help for mental health issues such as depression and PTSD.

Larger corporations also experimented with new employee fitness programs, promoting the importance of physical activity as well as leisure time.

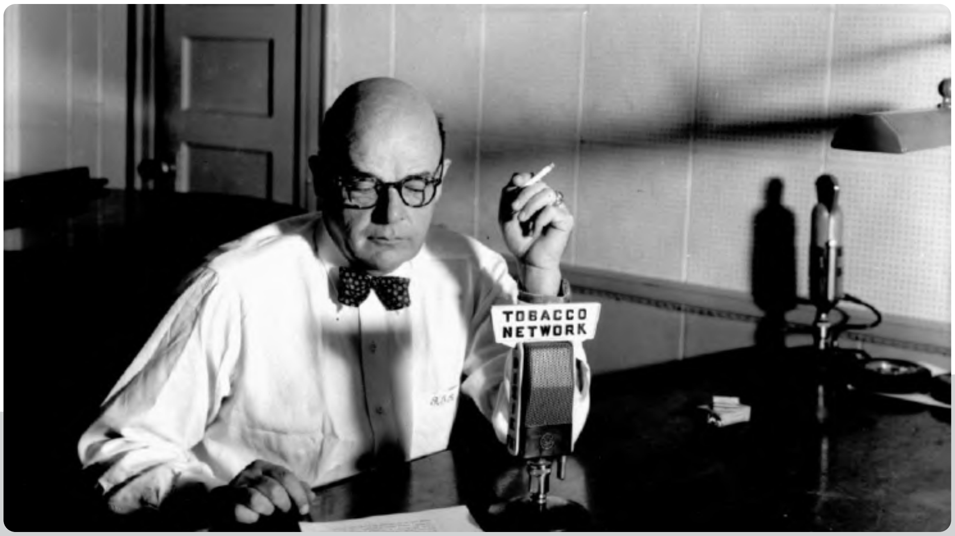
In the later half of the decade, Dr. Halbert

1951: Manufacturers including ConEd and American Cyanamid expand their alcoholism programs to cover employees experiencing mental health issues.

1950-55: Xerox, Texas Instruments, and Rockwell build employee fitness centers.

L. Dunn, chief of the National Office of Vital Statistics, introduced the concept of “high-level wellness” to encourage individuals to maximize their potential and progress towards better living.

His work didn’t significantly change workplace wellness yet, but it laid the groundwork for what was to come in the next 20 years.



1954: Smoking was more popular than ever, even at the office. But new research published in the *Journal of the American Medical Association* showed a preliminary link between cigarettes and death rates.

1958-60: Halbert L. Dunn presents his idea of “high level wellness” in a series of lectures, and then publishes these ideas in a book by the same title.

1970s

Key Takeaway: In order to make a dent in expensive healthcare costs, employers need to focus on the root cause of those claims.

This was a time of great cultural turbulence, where marginalized groups fought for equality, technological advancements changed how we work, and the world saw major financial inflation. Plus, jazzercise!

At work, employers now bore the brunt of financial responsibility for their employees' health care costs.

Emerging studies also showed the cost of employees' unhealthy habits—namely, smoking, alcoholism, poor nutrition, and preventable injuries—making the cases even stronger for employer intervention.

Employers were chiefly concerned with reducing both healthcare claims and workers' compensation cases. New "workplace health promotion" programs were one way of combating that.

1971: The U.S. Dept. of Labor establishes the Occupational Health and Safety Administration (OSHA) to ensure safe and healthful working conditions.

Researchers also link this expanding interest in employer-sponsored wellness with broader cultural movements towards occupational safety, behavioral changes to improve health, and recreational fitness.

In 1979, Johnson & Johnson launched its Live for Life program for employees and their families, paving the way for corporate wellness programs to follow.

CEO Jim Burke believed that employees' unhealthy behaviors, including smoking, alcohol abuse, and lack of physical activity were responsible for a large share of the company's ballooning health costs.

The program set out to tackle concerns including nutrition, weight management, smoking cessation and blood pressure control, pairing education and screenings with behavior modification programs and on-site health services.

1979: Johnson & Johnson launches a massive employee wellness program, targeting behaviors that led to higher health costs.

1973: New laws require businesses to make reasonable accommodations, such as accessible parking spaces and ramps, for people with disabilities.

1980s

Key takeaway: Companies should pay attention to cultural trends and shifts when developing new wellness programs.

It's no surprise that physical fitness was the main focus in many newer corporate wellness programs in the 80s.

During the week, more people were becoming sedentary and working at desks with PCs. Working hours slightly increased to around 43 per week, thanks to corporate culture that encouraged long hours as a sign of dedication to the company.

Culturally, there are huge increases in cycling, jogging, aerobics, health clubs and gyms, and even marathoning. (One telling figure: runners in the New York City Marathon rose from 126 in 1972 to over 20,000 by the mid-1980s!)

Exercise was popular, and so was

1982: The world's first wireless wearable heart rate monitor hits the commercial market. (Just in time for aerobics class.)

corporate culture. So, thought execs, why not marry the two?

At this time, some larger corporations built on-site fitness centers and started offering aerobic classes during lunch breaks or evenings.

For the first time, scholarly journals started legitimizing workplace wellness programs as a means to reduce absenteeism and potentially attract top talent.

But the biggest development was in smoking cessation.

Early in the decade, Surgeon General C. Everett Koop wrote a scathing report that compared the addictive properties in nicotine to those found in heroin and cocaine, and challenged Americans to create a "smoke-free society by 2000."

In 1984, Boeing Co. became the largest U.S. corporation to ban smoking in the workplace. Others followed suit, banning tobacco and launching their own quit-smoking programs.

1984: Many companies launch smoking cessation programs, and some ban smoking inside offices.

1987: StayWell and Milliman Inc. release a study showing that common health-risk factors such as smoking, obesity and not wearing seat belts were strongly linked to higher health care costs.

1990s-2000s

Key takeaway: Programs should encourage, support, and reward healthy behaviors from everyone, not just a select few.

By this time, corporate wellness programs were still focusing on risk management and trying to make a dent in ballooning healthcare costs.

Outcomes-based wellness programs were all the rage, requiring participants to achieve specified health-related goals in order to receive a reward or incentive (for example, lowering your blood pressure or BMI within a certain time frame).

Many programs tried using punitive measures, increasing healthcare premiums for employees deemed unhealthy.

But by the early-to-mid 2000s, it became clear that something wasn't working.

Low participation rates and high failure rates made these programs unsuccessful.

1991: On August 6, the very first web page went live. The internet soon changed how we live, work, and socialize forever.

1998: TaeBo dominated the fitness market by mass-marketing aerobic boxing exercise tapes; by 1999, they'd sold an estimated 1.5 million copies.

Why? This style of wellness program was exclusive to certain groups, did little to boost morale or encourage positive change, and ignored all the other employees who needed encouragement.

Furthermore, outcomes based wellness was complicated by legal issues, ADA compliance, and concerns about giving healthy employees preferential treatment.

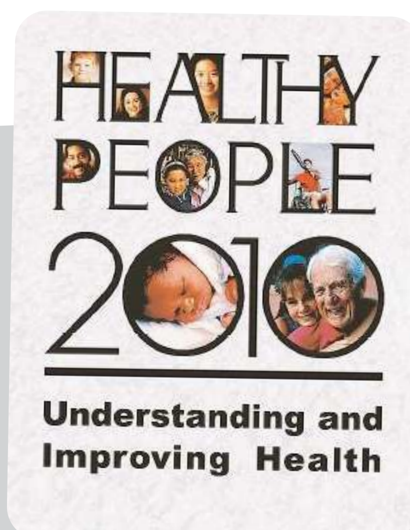
New research overhauled this high-risk-only approach. In his 2009 book, *Zero Trends: Health as a Serious Economic Strategy,* researcher Dee Edington found that people "naturally flow from low-risk to high-risk health categories as they age."

So, he concluded, “the most effective way to increase the portion of people in the low risk category is to prevent the low from moving to medium or high risk."

And therefore, the best workplace wellness programs encourage healthy behaviors from everyone, in addition to helping the high-risk population reduce risks.

2000: The U.S. Department of Health and Human Services publishes *Healthy People 2010.*

This report set a framework for the upcoming decade and aimed for 75% of companies with 50 or more employees to have a comprehensive health promotion program.



2010-2020

Key takeaway: Corporate wellness programs are now a fundamental part of a company's benefits strategy.

Incentives are the key to making it work.

Finally, the modern era of wellness.

In just 10 years, corporate wellness completely transformed—fueled by significant changes in public health, the job market, and the maturation of the wellness industry as a whole.

Public Health

From a public health perspective, the United States started out the decade with a specific goal to "achieve health equity… and improve the health of all groups."

The most significant step to achieving that goal was the passing of the Patient Protection and Affordable Care Act (ACA) in March 2010, a massive regulatory overhaul that expanded healthcare coverage for millions of Americans.

2010: President Barack Obama signed the Affordable Care Act (ACA) into law on March 23, giving healthcare access to millions.

By 2016, the amount of uninsured people was cut in half.

After the law went into effect, increases in overall healthcare spending slowed, including premiums for employer-based insurance plans.

Insurers were also now required to cover “essential health benefits” including for the first time, preventive care and wellness services, chronic disease management, mental health and substance use disorder services, and specific health screenings for women and children.

This public health change is important to note, as we also saw employers paying closer attention to these "essential health" areas as part of their own internal wellness programs.

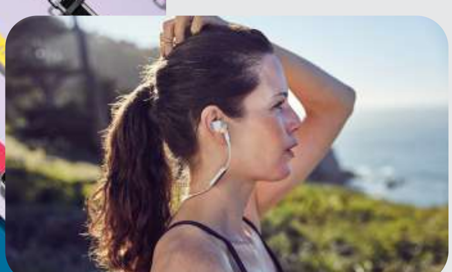
HR Concerns

Initially, employers were very concerned about the specific ROI on wellness programs.

But by mid-decade those conversations gradually gave way to other discussions about measuring programs’ effect on morale, engagement, and factors such as stress reduction and absenteeism.

In a 2019 Optum study of HR managers, the majority of respondants said these were their top priorities:

80% **reduce health care costs**
79% **improve absenteeism**
78% **attract and retain talent**
76% **improve employee morale**



2015: Apple launches its own smartwatch, finally vying with Fitbit (which launched in September 2009) for leadership in the fitness market.

The companies continued to compete, releasing new apps and wearable technology to track and manage health, exercise, weight, and even sleep.

Jobs and the Workforce

The 2010s also saw the greatest number of jobs created in the United States: 22.6 million. After recovering from the 2008 financial crisis, employers had their work cut out for them but continued to adapt and thrive.

A new factor in their growth: millennials.

Millennials (those born between 1981 and 1996) now entered the workforce in spades. By 2016, they'd overtaken Boomers and Gen Xers to become the largest generation at work. But these young, passionate employees were somewhat confounding to employers.

"Older generations were all about getting the job done and getting paid for it. But the millennial generation is all about getting the right job done and getting paid for it," mused Ajit Nawalkha in one *Forbes* article.

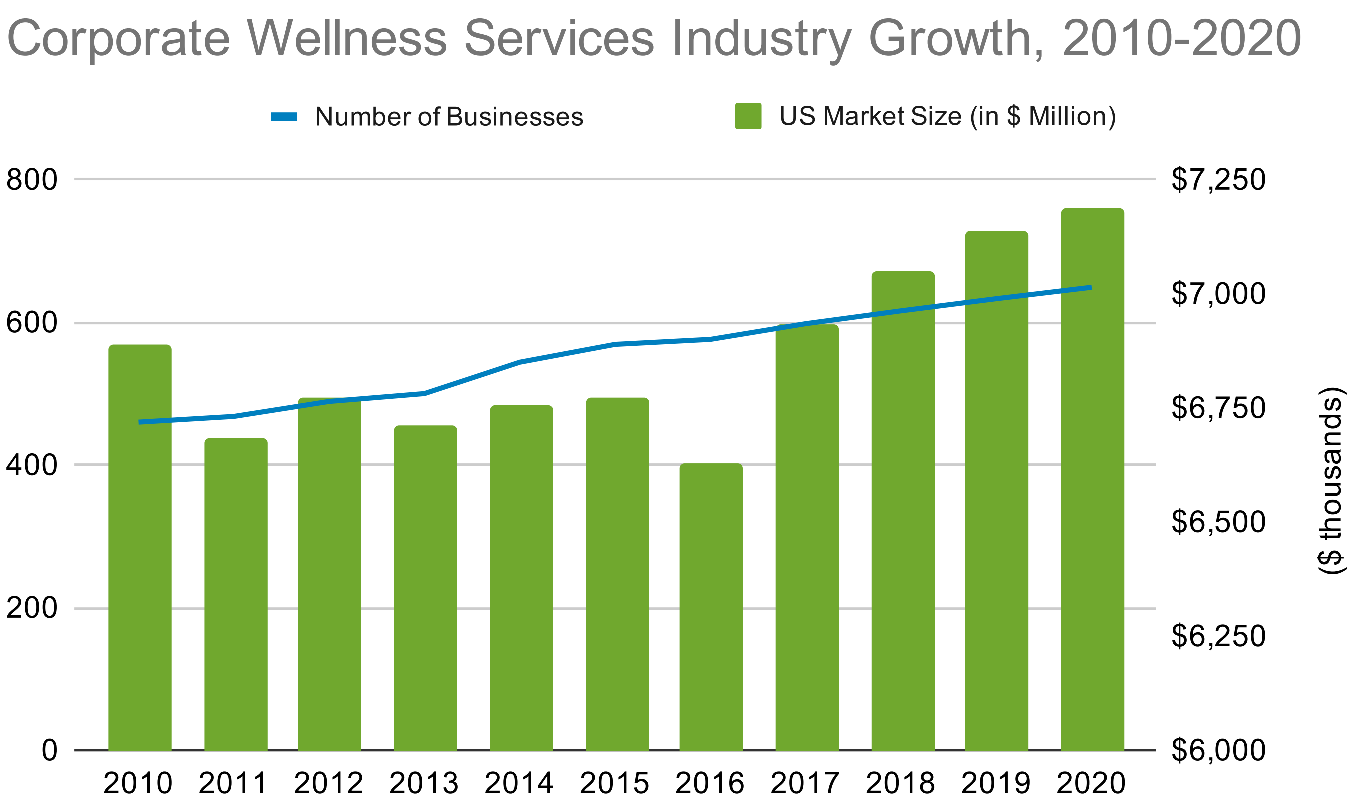
Millennials wanted more than just a paycheck. They wanted meaning. They were also willing to leave jobs in order to find something better, be it a better benefits package, better work-life balance, or better company culture.

Suddenly, HR teams needed to adapt their recruiting, retention, and benefits strategies—a plus for all generations.

This is where wellness benefits became a recruiting tool and a highly sought-after perk.

Learning from the mistakes and triumphs of previous generations, employers tried a new approach, nurturing not just their physical health, but all of the factors that contribute to total well being—including stress level, job satisfaction, fitness, nutrition and sleep.

And just like public health trends at



A chart showing the industry growth via market size and number of businesses, based on IBISWorld's 2019 *Corporate Wellness Services Industry in the US - Market Research Report*, retrieved April 08, 2020 from IBISWorld database.

the time, wellness programs were now structured in a way that tried to be inclusive of all employee groups, not just those who were high-risk.

Wellness Industry Changes

The wellness industry was also changing at a rapid pace, thanks to increasing demand from employers and new technologies (including wearable fitness trackers) that made programs possible at scale.

While many companies still ran their own initiatives in-house, they no longer had to: the market for corporate wellness vendors expanded and grew more sophisticated and diverse with time.

The number of corporate wellness service vendors grew steadily, jumping nearly 40% from 2010 to 2019.

In its 2016 Corporate Wellness Services Industry report, IBISWorld predicted continued growth along these lines for the rest of the decade.

"As corporate profit rises, more businesses have the discretionary income required to invest in corporate wellness services," the report summarized.

"Over the next five years, the corporate wellness services industry is expected to exhibit robust growth, thanks to many businesses rapidly adopting wellness programs."

In addition to on-site gyms and traditional in-office step challenges, new players entered the industry.

Employers increasingly turned to newer wellness options, including gym membership and fitness reimbursements and benefits focused on sleep, financial wellness, personalized nutrition, and mindfulness.

Fitness tracking technology could now integrate with corporate programs, making it easier to track and reward

Learn More:

Download our report, *The Definitive Corporate Wellness Product Landscape*, for a comprehensive map of all the available workplace wellness options in the U.S.

Employers increasingly turned to newer wellness options, including discount gym memberships, reimbursements for fitness classes and equipment, and wellness benefits focused on sleep, financial wellness, personalized nutrition, and mindfulness.

activities. Mobile apps also became a core program tool, either from corporate vendors, or popular fitness brands like Fitbit.

By far, the most popular wellness benefit trend of the decade was incentives.

Wellness incentives directly reward employees for exercising or completing healthy activities, such as getting a flu shot or completing a health risk assessment.

Example incentives include cash bonuses, HSA contributions, additional PTO, lowered healthcare premiums, or other creative rewards.

Earlier in the decade, program engagement was still lagging; a third of employers had participation rates of 20% or lower, according to IBISWorld.

As a result, incentives became more

pervasive as employers tried to boost engagement.

Further research by RAND drove the point home: "Incentives are associated with higher participation rates in wellness programs, by about 20 percentage points."

Additionally, at larger companies, the programs are often dynamic and personalized to the individual. Technology allows us to personalize the milestones, rewards, and content given to each individual to help them achieve their health goals.

The results of these changes?
More program participation, better productivity at work, and greater employee satisfaction and happiness.

Looking Ahead

An overwhelming majority of employers now say that employee health and wellness is an important part of doing business.

In 2019, the U.S. corporate wellness market is a $7.2 billion industry, representing hundreds of thousands of employees and hundreds of unique vendors. Though the industry's growth has slowed in recent years, there is still plenty of opportunity for vendors and employers alike.

The future still holds plenty of opportunities for employers. Today's market is more refined, diverse, and studied than ever before — and yet, we'll continue to see innovations in wellness programs in the near future.

We can learn from the past to create better corporate wellness programs that address the whole person.

And in the years to come, we'll see more evidence for IncentFit's mission: when we invest in wellness, everyone benefits.

So what's next? Our predictions:

1. Other Indicators of Health

The CDC uses leading health indicators (LHI) to communicate high-priority health issues and actions that can be taken to address them; plenty of corporate wellness programs use those LHI as a jumping off point.

For example, we know that physical fitness is important, but in the last two years, we've seen an even greater demand for wellness benefit products that focus on other aspects of health and well being—financial wellness, sleep, nutrition, and even sexual health. That trend will continue, with vendors taking more targeted and sophisticated approaches over time.

2. Inclusion and Accessibility

Another leading indicator of health? Access to services.

Accessibility and inclusion are an increasing topic of discussion in all areas of society, and that's true in the world of corporate wellness too. There's plenty of evidence showing we can't concentrate on just one element of health and well-being and hope for success, nor can we focus on one specific type of employee.

We'll see programs adapt to be more inclusive of different types of people, including those with disabilities and aging populations. We'll also see more dynamic activity-based programs for people of all fitness levels and abilities.

3. Mental Health

While insurance providers must cover some mental health care as part of essential services, vendors are filling the gaps and making it easier to access care. According to CBNC, a "growing number of workers are turning to online mental health counseling to deal with work-induced stress and burnout, a result of being connected to work 24/7,"

We'll soon see employers offer access to mental health care via remote and tech-enabled solutions, including a new slew of mobile apps and teletherapy services just hitting the market.

4. Remote health and wellness

The 2020 Coronavirus global pandemic is going to change the way we work forever—and many of those changes have already begun.

Going forward, we will see employers and vendors develop wellness programs that can be run remotely or with distributed teams. There will be greater reliance on ways to stay connected without being physically together.

Another major concern will be employees' emotional and mental health. Employers will need to be responsive to decreased morale, and lingering feelings of grief, isolation, and anxiety.

We'll see greater investment in telehealth, at-home exercise and wellness activities, and easy-to-use apps and online platforms.

While the situation is still developing, both employers and corporate wellness vendors must respond to these new circumstances quickly and thoughtfully.

IncentFit is a health and wellness benefits company. Founded in 2013 as part of New York's BluePrint Health accelerator and now headquartered in Philadelphia, IncentFit supports hundreds of employers and health insurance providers across diverse industries—from major financial firms to manufacturing powerhouses, to public universities and nonprofits.

Visit IncentFit.com to explore wellness options and speak with a benefits expert.

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