

***Employee Well-Being and Working  
Life: Towards an Evidence-Based  
Policy Agenda***

**An Economic and Social Research Council  
(ESRC)/Health and Safety Executive (HSE)  
Public Policy Project**

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**Disclaimer: The views expressed in this report are solely those of the authors concerned, and should not be viewed as those of the Health and Safety Executive, the Economic and Social Research Council or the UK Government**

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## *Executive Summary*

The debate about the impact of working life on employee well-being has been intensified by the publication of Dame Carol Black's *Working for a Healthier Tomorrow*. This Review's central message is clear: Promoting the health and well-being of employees is not only a good thing in itself, but it also promotes the well-being of the organisations for which they work, including so-called 'bottom-line' performance indicators such as profits and targets. The failure of many organisations to grasp this is seen to be a lack of information. Of key importance in the promotion of employee well-being is the design of jobs and management organisation, especially with regard to the minimisation of work-related stress.

This extremely strong policy position is based on evidence collected for the Review by a PricewaterhouseCoopers' (PwC) research team, involving literature reviews and over 50 UK-based case studies (PwC, 2008), and on independent submissions made to the Review Panel. This evidence indicated that the costs of well-being programmes can in many circumstances be translated into benefits, mainly in the form of cost savings rather than increased income or revenue flows. These can, in turn, impact positively upon intermediate measures and, in some cases, this can be followed through to financial benefits.

The UK Government's response to the Black Review has been quick and positive, involving a promise to develop a new electronic 'fit note', the introduction of a Business HealthCheck tool, a programme to improve GPs' knowledge, skills and confidence, the introduction of health, work and well-being coordinators, and the establishment of a national centre for working-age health and well-being (HM Government, 2008).

In relation to this emerging policy agenda, the Economic and Social Research Council (ESRC) and Health and Safety Executive (HSE) have embarked on a series of collaborations with an explicit aim of closing the existing information gap on the causes and consequences of employee well-being. The ESRC/HSE Well-Being and

Working Life project summarised in this report focuses on the range of socio-economic benefits of improving the overall quality of working life and well-being for employees in the working age population. Key questions considered are:

1. What would be the specific economic benefits to society, individuals and business of improving the quality of employees' working lives?
2. What are the social benefits to society, individuals and business of improving the quality of employees' working lives?
3. How do these issues affect specific groups, such as older workers who wish to remain in employment after the recognised retirement age, people with chronic ill-health conditions in employment and IB claimants seeking to return to work?

Six papers were selected for presentation at a public policy seminar hosted by HSE on 5 February, 2009. This report summarises these contributions and their implications for the development of the evidence base for the Black Review policy agenda.

*Francis Green and Keith Whitfield* suggest that work intensity and stress are the major problems facing British workers, and caution that, after a long period of decline, job insecurity is likely to emerge as a growing problem in coming years. They also note that there are large differences in well-being between different groups of worker and differing organisations; those in large organisations being worst off in this respect. They also note the need to interpret information about the correlates of well-being in an extremely sensitive way.

*Andrew Brown and colleagues* suggest that interpretations of well-being need to take an approach in which norms and expectations are explicitly taken into account. If this is not the case, high levels of job satisfaction can be mistakenly interpreted as due to high well-being rather than low expectations. This has direct policy implications in terms of interpreting information on job satisfaction, and indirectly in terms of how such information is collected.

*Bernard Casey* shows that measures of the costs of sickness absence show widely differing estimates, ranging from 10 per cent of GDP to less than 0.1 per cent. This is partly due to differences in the precise measure being calculated, and partly due to the

assumptions made about areas of limited information. He suggests that much better data are urgently needed, especially of a longitudinal type.

*David Wainwright and Elaine Heaven* review evidence that suggests that Quality of Working Life interventions can have positive impact on sickness absence, though they note that existing studies of this are on the whole methodologically weak. They also note that most studies are conceived in the realist tradition, in which sickness absence is simply seen as an unmediated response to pathology. Taking a more constructivist position, in which sickness absence is also a function of how workers make sense of their experiences at work, opens up a whole new agenda for both intervention and research.

*Andy Weyman* indicates that older workers and those with debilitating health conditions have a lower quality of working life than other workers. The Black Review suggests that this should be directly addressed, but the paper indicates that there is currently a poor evidence base to underpin this, especially in relation to the so-called business case for employer intervention – in contrast to the PwC report commissioned for the Review.

*Getinet Haile* finds that workplace demographic diversity adversely influences some aspects of employee well-being. Moreover, existing equality provisions at the workplace do not seem to ameliorate these adverse well-being effects. Measures aimed at reducing such adverse impacts of diversity on well-being are vital given the considerable change in workplace demography in Britain in recent years.

Four main suggestions emerge from these contributions:

- 1) The business case for the promotion of well-being is far from proven, and it could well be that it is more than a lack of convincing information that is preventing employing organisations from investing more in the health and well-being of their employees.

- 2) Research to date has been hampered by a lack of data, particularly survey data of a longitudinal type relating to workplaces. Until that is available, carefully designed and undertaken case study research can make a contribution here.
- 3) The interpretation of information relating to well-being is far from straightforward and requires an understanding of the norms and expectations of the research subjects, and the psycho-social factors motivating observed behaviour. Simple interpretations of (typically cross-sectional) information can be problematic.
- 4) The research underpinning the well-being agenda will need to take a multi-method approach, as one approach can not possibly produce the evidence required for effective policy intervention in such a complex area.

Above all, the contributions make it clear that the evidence base for the effective implementation of a policy agenda for improving employee well-being is far from being in place, and that the development of such will require substantial and carefully-developed research over a considerable period of time. In research terms, we are, at most, at the end of the beginning and are certainly not at the beginning of the end. In this respect, the development of the National Centre for Working Age Health and Wellbeing, the planned joint Government–ESRC Institute of Wellbeing, and current HSE work on producing better and more consistent estimates of the costs of work-related injury and new cases of ill health are to be welcomed.

## *Chapter One*

### The Emerging Policy Agenda: The New Black

*Keith Whitfield (Cardiff University)*

Employee well-being has become an important element in the national policy agenda. This interest is currently centred on the recommendations of the Black Review of the health of Britain's working age population, *Working for a Healthier Tomorrow*. Among other things, this review has recommended that workplaces should go beyond compliance with health and safety and other relevant employment law, and extend their agenda to promoting employee health and well-being (p.53). This is not just because it is, in itself, a good thing, but also because it is likely to yield positive impacts on both intermediate outcomes (such as reduced sickness absence, reduced staff turnover, reduced accidents and injuries, reduced resource allocation, increased employee satisfaction, a higher company profile and higher productivity) and bottom-line outcomes (such as better financial performance, a higher share price, and the meeting of organisational targets). This is eloquently summed up in the sentence, "*The message is clear: good health is good business*" (op.cit., p.53).

The Review suggested that the most common barrier to employers investing in the health and well-being of their workforce was a lack of information. It is therefore suggested that governments should underwrite the development of a business-led information and practical advice service, aimed especially at smaller organisations. The Review also encouraged organisations to think beyond the health aspects of well-being. They are particularly encouraged to think about how they design jobs and develop their management arrangements, with particular regard to reducing work-related stress. Employees are seen to have worse health if they feel insecure, their work is monotonous and repetitive, they have little autonomy, control and task discretion, there is an imbalance between effort and reward, there are few supportive social networks, and there is an absence of procedural justice. The public sector is



encouraged to be an exemplar in promoting job design and management practices that encourage employee well-being.

This extremely strong policy position is based *inter alia* on empirical evidence collected for the Review by PricewaterhouseCoopers (PwC) from literature reviews and 55 UK-based case studies provided by the Health Work Wellbeing Executive (PwC, 2008). The literature review indicated that systematic evaluations of the impact of wellness programmes had benefit-cost ratios (the financial return for every unit of cost expenditure) of between 2.3 and 10.1. The case studies suggested that 45 of the organisations implementing wellbeing programmes experienced falls in sickness absence, 18 saw falls in staff turnover and 16 experienced falls in accidents and injuries. Seven reported a return on their investment, some of which were substantial and none negative.

This evidence indicated that the costs of well-being programmes can quickly be translated into benefits, mainly in the form of cost savings rather than increased income or revenue flows, and these can clearly be seen to impact upon intermediate measures, and in some cases this can be followed through to financial benefits. These benefits were seen in a range of organisations, across different sectors and firm sizes, and for different types of intervention. The size of the benefit varied significantly, not only by organisation and intervention type, but in relation to how the various policy measures were implemented.

The UK Government's response to the Black Review has been very positive (HM Government, 2008). Among its policy proposals were:

- a promise to develop a new electronic 'fit note', concentrating on what people can do rather than what they cannot, to replace the current medical certificate
- the introduction of a Business HealthCheck tool to enable businesses to estimate the costs of sickness absence, turnover, worker ill-health and injury in their organisations, to identify the savings from investing in health and well-being programmes, and to help them measure the return on investment

- a programme to improve GPs' knowledge, skills and confidence when dealing with health and work issues
- the introduction of health, work and well-being coordinators to stimulate action in their areas and engage with smaller businesses
- the establishment of a national centre for working-age health and well-being to gather and analyse data enabling the identification and monitoring of trends, to help in determining the impact of interventions and initiatives, and to identify evidence gaps and encourage research to close those gaps

The success of such a policy position depends fundamentally on the evidence base on which it is developed. At the most fundamental level, the robustness of the PwC study needs to be evaluated. There should also be research around the areas in which the policy interventions are focused, and a programme of evaluation to ascertain their effectiveness. Additionally, there needs to be research that suggests alternative ways in which worker well-being can be effectively improved.

In relation to this emerging agenda, the Economic and Social Research Council (ESRC) and Health and Safety Executive (HSE) have embarked on a series of collaborations with an explicit aim to close the existing information gap on the causes and consequences of employee well-being. The ESRC/HSE Well-Being and Working Life project summarised in this report is therefore part of a series of activities involving the two co-sponsors and other interested parties to address a series of key questions in the area of employee well-being. This particular project aims to build on an earlier project on the health and well-being of working age people, jointly sponsored by ESRC, HSE, the Department of Health and Department of Work and Pensions. The output of these seminars can be found in the ESRC publications *Health and Well-being of Working Age People - The Employee's Perspective*, and *Health and Well-being of Working Age People - Employers' Perspective*.

The research summarised in this report focuses on the output from the Well-Being and Working Life project. This examined the range of socio-economic benefits of improving the overall quality of working life and well-being for employees in the working age population. Key questions considered were:

1. What would be the specific economic benefits to society, individuals and business of improving the quality of employees' working lives?
2. What are the social benefits to society, individuals and business of improving the quality of employees' working lives?
3. How do these issues affect specific groups, such as older workers who wish to remain in employment after the recognised retirement age, people with chronic ill-health conditions in employment and IB claimants seeking to return to work?

Six papers were selected for presentation at a public policy seminar hosted by HSE on 5 February, 2009. This report summarises these contributions and their implications for the development of the evidence base for the Black policy agenda.

Together, these papers represent a good starting-point for the development of a strong evidence base to underpin the well-being and working life policy agenda. In particular, they make it clear that the underlying issues are far from simple, and that any meaningful attempt to collect and interpret evidence and translate this into effective policy interventions is going to require a great deal of care. At the very most, we are only at the end of the beginning in relation to this activity and are certainly not at the beginning of the end.

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## *Chapter Two*

### The Non-Material Aspects of the Employee Work Experience: Trends and Distribution

*Francis Green (University of Kent) and Keith Whitfield (Cardiff University)*

There is substantial evidence that in recent years the non-material aspects of work may not have improved commensurately with improvements in the financial rewards associated with work, and may even have become worse in certain respects, particularly in relation to work intensity and job stress.

Until quite recently, the subjective perception of *job insecurity* was decreasing, albeit with a lag from change in the objective indicators. The onset of the financial crisis will no doubt reverse this. What is noticeable is that there has been a re-distribution in the risk of job loss from blue- to white-collar workers. Professional workers were the most secure group in 1986, but the least secure in 1997, and it is they who are experiencing a great deal of the job loss in the current crisis.

There is no doubt that *work-based accidents* have decreased in recent years. The rate of fatal injuries was cut by two-thirds between 1981 and the start of the present decade. This is partly attributable to the decline in the manufacturing industries, but there have been big declines in injury rates *within* each industry. The main health and safety domain in which there is no consistent picture of improvement is *stress*. Surveys of self-reported stress indicate that it became worse through the 1990s; though its incidence since 2000 has shown no clear trend. In 2006-7, 13½ million working days were reported lost owing to stress, depression or anxiety, about 0.60 work days per worker year.

Stress and anxiety may be the overt symptoms of excess *work effort*, and increasing work pressure. The last quarter century has seen increasing work effort (Green, 2006;

Fagan and Burchell, 2006). Until the late 1970s, Britain's workplaces had been steadily reducing working time requirements for workers. This, however, was followed by a small rise until the mid-1990s. Extra pressure on time followed from an increasing concentration of work within households. Two-adult households added six hours to their joint weekly work-load between 1981 and 1998. There was also an increase in work intensity over this period. New technologies and organisation forms were closing the gaps in the working day. Successive surveys showed increasing proportions of workers perceiving that their job "requires (them) to work very hard". The responses show distinctive increases, on average, between 1992 and 1997; and there are strong reasons to suspect that this began some time earlier during the 1980s.

After 1997, the average work effort of British workers has seemingly remained on its already-high plane (Green, 2006; Fagan and Burchell, 2006; Gallie, 2006). Employee working hours also peaked in the middle part of the 1990s at 33.5 hours per week (39.3 hours for full-timers), thereafter tracking downwards to around 32 (37.3) hours in 2004. There was a concomitant decline in the number of employees working especially long hours; the proportion working over 45 hours fell by nearly 8 per cent between 1997 and 2003.

On average, British workers are increasingly being called on to exercise higher levels of *skill*. Jobs are requiring higher entry-level qualifications and are taking longer to learn. Computer skills requirements have risen steadily since the mid 1980s, and the needs for other generic skills have also been increasing (Felstead *et al.*, 2007). Educational achievement levels have been increasing rapidly over this period with, for example, increasing proportions of graduates in the workforce. Despite some evidence of increasing over-qualification, the levels of perceived over-skilling in the workforce did not substantially increase between 1992 and 2006 (Green and Zhu, 2008).

In Britain, surveys have indicated that *task discretion*, the ability to determine aspects of the tasks that individuals do in their jobs, fell steadily between 1992 and 2001 (Green, 2006). Perceived choice over tasks appears to have declined since at least

1986. The declines in discretion were most pronounced among professional workers and females in part-time jobs, and least for managers.

Warr's three-item index of *work strain* shows a rise in average work strain between 1992 and 2001 (Green, 2006). Unfortunately, more comprehensive instruments for worker well-being are not available on a consistent, population-wide basis over time, making it hard to measure change over a long time period.

British workers in 2001 showed lower levels of *work satisfaction* overall than their counterparts in 1992 (Green and Tsitsianis, 2004). The decline was most evident with respect to the intrinsic domains of work. Workers became less satisfied with 'the work itself'. Satisfaction with extrinsic domains, especially with pay and security, increased somewhat, especially at the turn of the millennium. Green and Tsitsianis (2004) show that the decline in overall job satisfaction can be attributed mainly to increasing work effort and declining autonomy.

#### *The Correlates of Worker Discontent*

*Gender*-based studies have generally found that women have higher job satisfaction than men (Sloane and Williams, 2000). Green and Whitfield (2006) also suggested that working women tend to perceive a greater degree of stress and work intensity than men. By contrast, Gaunt and Benjamin (2007) suggested that men are generally more vulnerable to job-related stress, and that gender ideology has a crucial role in moderating this relationship. They also suggested that men experience greater job insecurity. Green and Whitfield (2009) also showed that men report greater job insecurity, though the difference is not statistically significant. Men are much more dissatisfied with the level of their pay than women, despite a continuing and significant gender pay gap (Green and Whitfield, 2009). A possible explanation is that men have higher expectations for their pay than women. On all of the other proxies for the experience of work, Green and Whitfield (2009) found that there was very little difference between men and women.

Those who work *long hours* are less likely to feel insecure, or to report a lack of influence over their work (Green and Whitfield, 2009). They are less likely to feel dissatisfied about the achievement that they get from their work, or the influence that they have over their job. However, long-hours workers are more likely to feel stress and high work intensity. These associations should not be seen as indicating a particular direction of causation. It might be that some workers choose to work long hours precisely because they are satisfied with their work.

The experience of work is not associated with the *life-cycle* in a simple way. Younger workers tend to feel less insecure and less stressed, but they are more likely to report a lack of influence over their jobs. Moreover, there is no clear relationship between age and the amount of dissatisfaction that is expressed (Green and Whitfield, 2009).

*Workers with degrees* are more likely to feel insecure and to experience a high level of work intensity, but they are less likely to report a lack of influence at work. They are also less likely to be dissatisfied with the amount of pay that they receive (Green and Whitfield, 2009). Belfield and Harris (2002) found that job satisfaction is neutral across different education grades.

Workers in *larger organisations* report higher levels of insecurity, more stress and work intensity, higher levels of lack of influence and more dissatisfaction than those in smaller and medium-sized organisations (Green and Whitfield, 2009). Nevertheless, it should be remembered that workers in larger organisations also tend to be paid a wage premium for otherwise similar jobs. It is possible that this premium is in part a compensation for an inferior experience of work.

Guest and Conway (1999, 2004) indicated that *union members* are generally less satisfied than non-members.. Green and Whitfield (2009) found that workers in workplaces with recognised unions are more likely to state that they have no time to get their work done, to express a lack of influence over their pace of work, and be dissatisfied about various aspects of their jobs. Bryson *et al.* (2004) showed that this



is due to selection rather than causal processes – ie, those jobs that have such factors associated with them are the types of job that are most likely to involve union membership.

### *Changes in Management Organisation*

Recent times are said to have witnessed a sea-change, in which the *management of people* at work has been transformed from the reactive, non-strategic Personnel Management to the more pro-active, strategic Human Resource Management (Redman and Wilkinson, 2006). Indeed, it has been suggested that the change has also involved a fundamental shift in how the whole production process is conceived and developed. Some have gone so far as to suggest that there has been the widespread development of so-called high performance work systems that aim to put in place holistic arrangements for the achievement of sustainable competitive advantage, the most notable being the high commitment and high involvement approaches to the management of employees at work (Appelbaum and Batt, 1994).

There are two competing views of the impact of ‘high performance’ work organisation practices on employee experience. The more positive suggests that they typically lead to increased levels of discretion, improved job security and enhanced job satisfaction (for example, Kalmi and Kauhanen, 2008). By contrast, the alternative view is that they are more commonly associated with increased job intensity and reduced security (for example, Delbridge *et al.*, 1992; Brenner, Farris and Ruser, 2004).

Cox *et al.* (2006) found that the greater the breadth and depth of employee involvement and participation practices, the higher the levels of organisational commitment and job satisfaction. Green and Whitfield (2009) showed that the experience of workers in workplaces with employee involvement practices varies. For example, quality circles are associated with less negative experiences, but that the reverse applies to the use of briefing committees. By contrast, Delbridge and Whitfield (2001) found strong negative associations between job influence and team

responsibility for a product or service, but strong positive associations in relation to influence when a team appoints their own leader.

Wood and Bryson (2009) showed that there has been an increase in the incidence of High Involvement Management (HIM) at the British workplace during this period. However, there was no evidence that HIM has improved worker well-being. If anything, it would seem to be associated with higher levels of worker anxiety.

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## *Chapter Three*

### Employee Well-Being in Britain: Lower than the Raw Figures Suggest?

*Andrew Brown (Leeds University), Andy Charlwood (University of York), Chris Forde (Leeds University) and David Spencer (Leeds University)*

The last two Workplace Employment Relations Surveys (WERS), conducted in 1998 and 2004, paint an apparently optimistic picture of the well-being of British workers. The raw figures suggest that most people are ‘satisfied’ or ‘very satisfied’ with their jobs, and have good job quality. They also reveal some improvement in the level of job satisfaction between 1998 and 2004 (Brown *et al.* 2006). However, their paper presents an interpretation of recent evidence according to which the level of worker satisfaction and worker well-being in Britain is considerably lower than suggested by these raw figures. It could be that a majority of British workers, 15 million or more, are in fact dissatisfied with their jobs. If so, then the urgency of policy towards worker well-being, and its likely incremental impact, is correspondingly higher than the figures first indicate.

The key quantitative evidence highlighted concerns the relation between wages and selected facets of self-reported worker well-being (see Brown *et al.* 2007) This evidence shows a robust ‘u’-shape of reported job satisfaction *vis a vis* wages. The reported climate of employment relations also displays a ‘u’-shape in relation to wages; see Figure 1.

This evidence seems to show that low-paid jobs are high quality jobs generating high job satisfaction levels. However, further reflection on the available evidence could lead to very different conclusions.

*The nature and measurement of worker well-being*

There are two broad opposing conceptualizations of job satisfaction and worker well-being in the literature. Some (Blanchflower and Oswald, 1999) see job satisfaction as a direct measure of the ‘utility’ obtained from work, and hence of job quality or worker well-being. This conceptualization reflects the *subjective* approach to well-being championed by the burgeoning ‘economics of happiness’ literature (Frey and Stutzer 2002, Layard 2005). Others (Green 2006) argue that evaluation of worker well-being must include consideration of the *objective* aspects of work. This second conceptualization draws insight from the approach to well-being championed by Sen (e.g. 1999) and others.

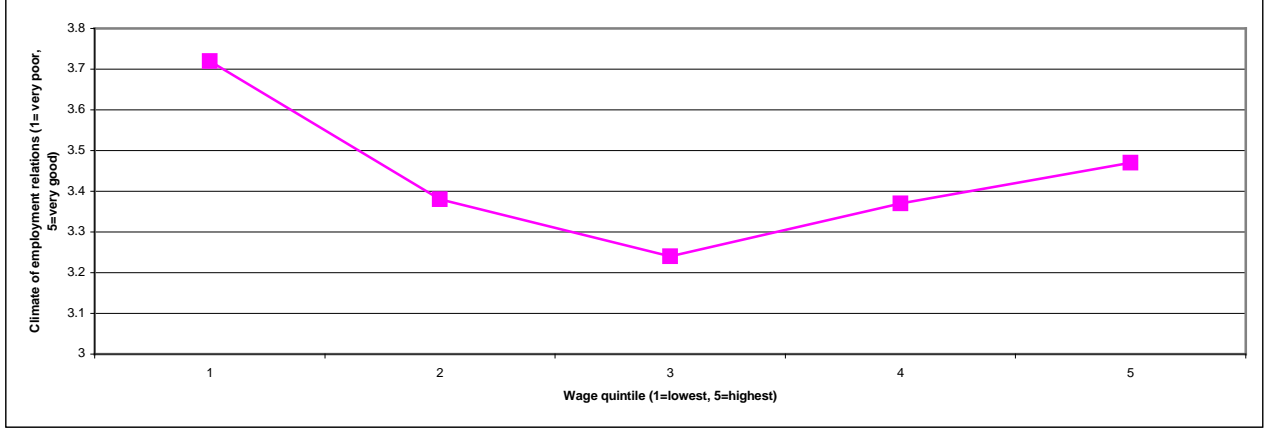
**Figure 1: Wages and job quality, 1998 and 2004**



**Figure 1b: Satisfaction with sense of achievement, Workplace Employment Relations Survey 2004**

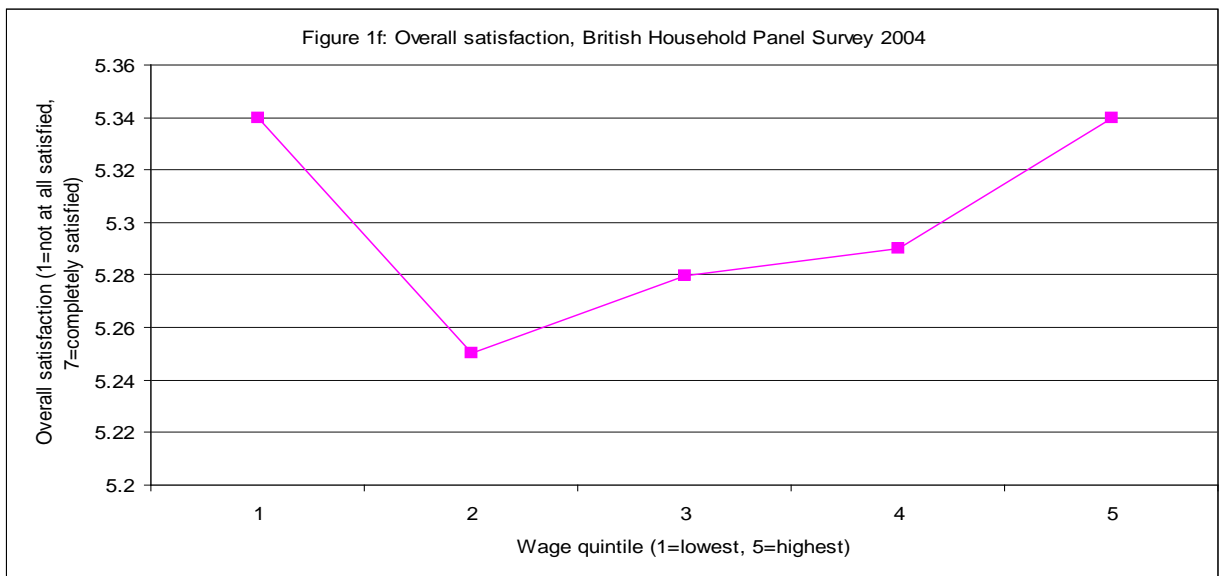
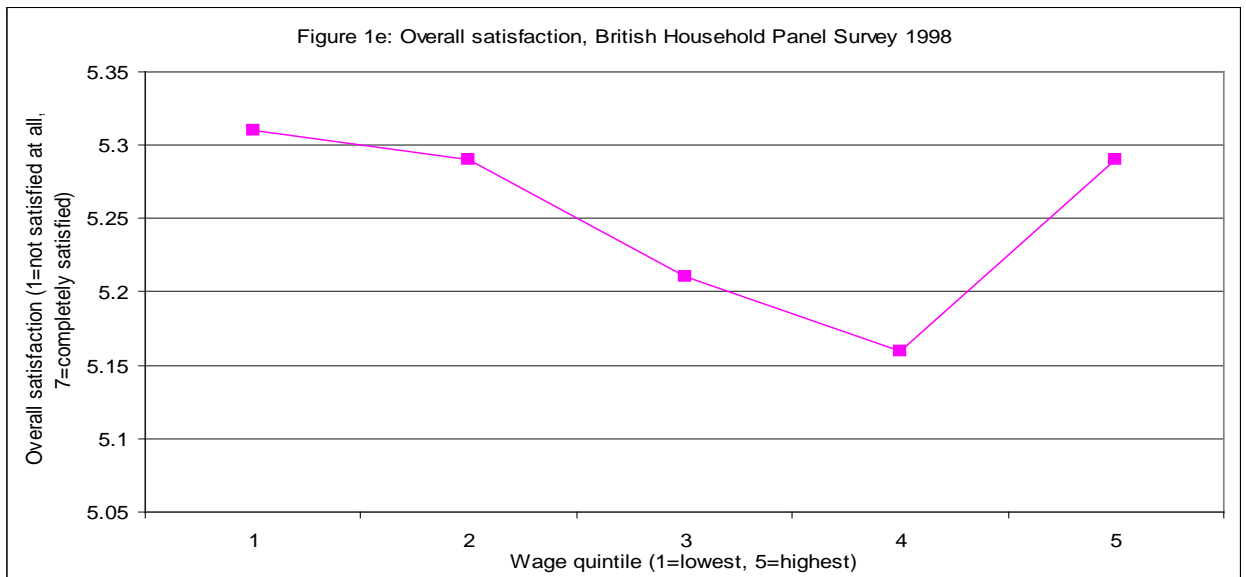


**Figure 1c: Climate of employment relations, Workplace Employment Relations Survey 1998**

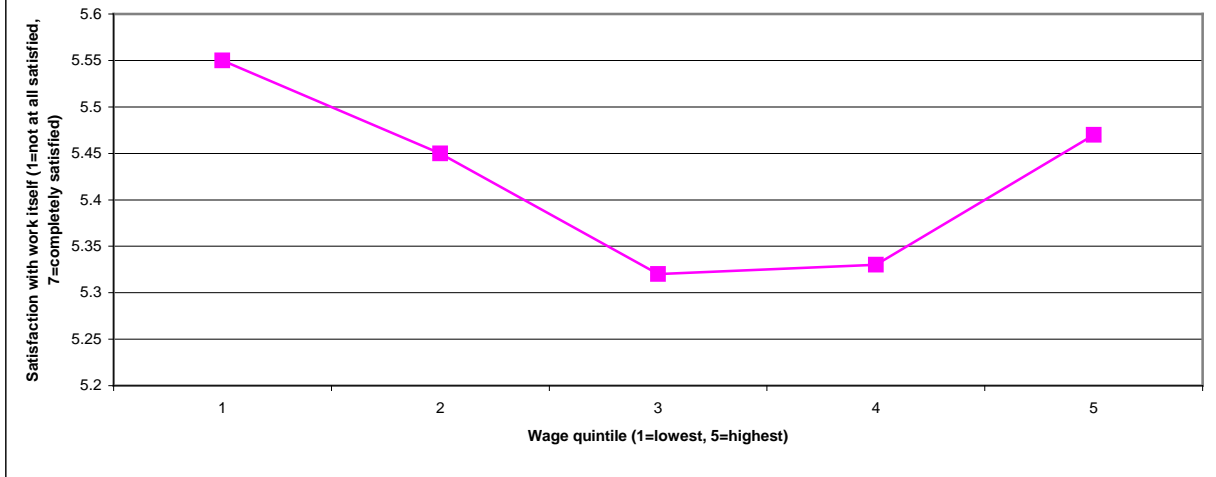


**Figure 1d: Climate of employment relations, Workplace Employment Relations Survey 2004**





**Figure 1g: Satisfaction with work itself, British Household Panel Survey 1998**



**Figure 1h: Satisfaction with work itself, British Household Panel Survey 2004**





The distinction between objective and subjective approaches is seen to be the first step in helping to interpret the social survey evidence. The second and crucial step is said to be consideration of the role of *norms and expectations* in the measurement or determination of worker well-being. At a general level, there is widespread acceptance in the job quality literature of the importance of work norms and expectations to worker well-being – in particular, it is generally understood that the norms and expectations of workers will to some degree *adapt* to the work undertaken. However, there are flatly opposing interpretations in the literature as to the implications of such adaptation for worker well-being, especially as measured by self-reported survey data. For the objective approach, norms and expectations serve to *conceal* true (‘objective’) worker well-being, whereas for the simple subjective approach, norms and expectations are key *determinants* of true (‘subjective’) worker well-being.

One aspect of the observed ‘u’-shape that has been occasionally discussed is that the reported job satisfaction of low paid workers is higher than that of more highly paid workers (Leontaridi and Sloane, 2004; Diaz-Serrano and Vieira, 2005). It could be said that a low level of norms and expectations causes the high reported job satisfaction of the low paid (Llorente and Macias, 2005). Leontaridi and Sloane (2004) and Diaz-Serrano and Vieira (2005), in keeping with the simple subjective account of worker well-being, conclude that the current EU and UK policy agenda to promote high pay, high skill work is inappropriate to the goal of raising worker well-being.

The objective approach to worker well-being, by contrast, implies that norms and expectations conceal true worker well-being. Taking the example of job satisfaction, the low norms and expectations of respondents in low paid jobs can be seen to lead them to rate job satisfaction relatively highly, despite not being truly satisfied in their jobs. Their high reported job satisfaction may be an indication of ‘satisficing’, making the best of an objectively bad job, rather than an indication that low-paid work is truly satisfying.

This line of argument suggests the need to probe further the satisfaction or otherwise of low paid workers by interviewing them in-depth. Such work studying women workers (Walters and Tomlinson, 2006; Grimshaw and Carroll, 2008) reveals that they are dissatisfied with their jobs – they are doing the best that they can in circumstances that are very adverse and over which they have little or no control. Furthermore, those who continue to express satisfaction with their jobs do not compare their jobs to those higher paid jobs which lie outside of their feasible set of available alternative jobs. Similar findings have emerged from qualitative studies of other groups who are concentrated in low-paid employment. These include migrant workers, temporary agency workers and home-workers (see Anderson *et al.* 2006; Commission on Vulnerable Employment; 2008; MacKenzie and Forde, 2009). A recurrent theme in interviews with low paid workers within these groups is that their objective job quality is low, in terms of contractual status, pay and conditions of employment, and that their perceptions of job satisfaction are formed through comparisons with realistically obtainable alternatives.

In order to explain the entire ‘u’-shape (not just the left-hand tail) an account of middle earners and high earners respectively needs to be given. Those towards the centre of the distribution could be argued to have relatively high norms and expectations of work which are not being met by the actual conditions of work. It is only the very high earners who can be plausibly argued to have both relatively high norms and expectations regarding of work, and objective conditions of work that meet these high expectations. It can be concluded that it is only amongst the very high paid that work is truly satisfying.

There are obvious policy issues here. If simple subjective accounts of well-being are to be believed, then policy interventions would not be deemed urgent, and any such interventions would focus on raising the number of low-paid jobs. By contrast, the objective interpretation suggests that there is an urgent and pressing case for policies to raise job quality, not least amongst the low-paid. The low level of norms, expectations and aspirations amongst the low-paid could lead to a disengagement of this group from society. Policies to raise aspirations, however, through changes in education, are liable to lower rather than raise reported worker well-being, if they are not matched by improvements in available job opportunities. Furthermore, recent

evidence contradicts the view that higher worker aspirations, of themselves, will push employers to make improvements in job quality and so to enhance true worker well-being, since it makes clear that the low-paid generally have little influence on employer strategies (Grimshaw *et al.* 2008). This would suggest that, alongside improved worker aspirations, the government should target improved objective job quality, looking to influence employer strategies, for example through better enforcement of employment rights of the low-paid (Commission on Vulnerable Employment, 2008).

Research on job quality requires a mix of methods. In order to substantiate hypotheses based upon social survey data, for example, qualitative evidence is needed. Qualitative work on the low paid indicates that they are ‘satisficing’ rather than truly satisfied in their jobs (Cooke and Lawton, 2008; Lloyd *et al.*, 2008). However, it should be stressed that the issues are complex and more qualitative research, focusing especially on the norms, expectations, aspirations and job satisfaction of the low paid is urgently required. In addition to substantiating the aforementioned hypotheses, such qualitative research could also facilitate the development of survey questions that would discriminate between ‘satisficing’ and true job satisfaction, which would allow more accurate estimation of the benefits of improving job quality to be made.

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## *Chapter Four*

### The Economic Costs of Work-Related Stress: A Review of Literature as a Basis for Assessing the Value of Interventions

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#### **Introduction**

The costs to the economy of work-related stress are poorly understood. Estimates range from as much as £100bn per year to as little as £0.5bn per year, or, in terms of GDP, as much as 10 per cent and as little as under one twentieth of one per cent. Such widely differing estimates make any attempt to assess the utility of interventions to improve mental wellbeing at work and to reduce the incidence work-generated mental illness highly problematic. It is not a question of whether any intervention fails to meet the test at the margin. Whole classes of intervention might or might not be “appropriate”.

A study prepared for the European Commission estimated the costs of work-induced or work-aggravated, stress-related illness, anxiety or depression (henceforth, “work-related stress”) at 10 per cent of GDP (Cooper *et al.*, 1996). This sum was presented as being inclusive. It contained not only costs of lost production and disruption within workplaces but also costs of benefits paid to people who were absent and the costs of providing treatment to those suffering. The estimate gained currency. It was being repeated by the original authors 10 years later, as well as by the recent Foresight Report on Mental Capital and Wellbeing (Arnold *et al.*, 2005; GO-Science, 2008). A figure of £100bn was also quoted – this sum reflecting current national output (Hoyle, 2005).

Understanding what work-related related stress costs is important if interventions to alleviate it are being considered. In 2007, the National Institute of Clinical Health and Excellence (NICE), commissioned a review of workplace interventions promoting mental wellbeing in the workplace. NICE is concerned to measure cost-

effectiveness of treatment. Such an approach requires a yard-stick. The societal cost of work-related stress provides a starting point. The NICHE study (Graveling *et al.*, 2008) did not include any of its own estimates of these, but relied upon estimates made by the Health and Safety Executive (HSE).

### **HSE and other estimates**

When attempting to estimate the output loss consequent upon work-related stress, it is necessary to try and unpack such global figures as the above cited £100bn. Costs of sick pay and disability benefits are not included in the societal costs since they are mere “transfer payments”. Health service costs and benefit costs are not direct costs to business even if they are ultimately tax financed and the levying of the taxes has some implications for national output. The costs to the economy are the costs of lost production consequent upon the lower productivity or absence of those suffering from work-related stress and any knock-on effects their performance has on those with whom they work.

The HSE talks of “costs to individuals”, “costs to employers” and “costs to society” of work-related illnesses and injuries (HSE, 1999; *ibid*, 2004a). Costs of forgone output are a sub-category of costs to society, as are certain resource costs, including those of medical treatment, and are certain costs to individuals, including those of “grief, pain and suffering”. In some of its more public pronouncements about the costs of work-related stress, the HSE refers to “costs society about £3.7” (HSE, 2004b) and this figure has been repeated, without updates, a number of times (HSE, 2006).

It would appear as if these costs refer to a loss of output that can be equated to the “welfare loss to society” (HSE 2004a). The economic analysis unit of the HSE calculated a “total output loss” of all work-related illness in the early years of the current decade as being £7-10bn – basing this figure on the value of the wages of those affected (HSE, 2004a). This included output lost both through temporary absences and through people being obliged to leave the labour force completely. Given that about 40 per cent of the days lost through work-related illness were days attributable to stress, a stress-specific figure of some £3.5bn can be calculated. Nonetheless, the HSE has also issued statements referring to “revenue lost to

industry” as a consequence of work-related stress as being £6.7bn per year (HSE, 2002).

Other HSE statements contain much lower estimates. For the year 2005/6, work-related stress, depression and anxiety “cost Great Britain” merely “in excess of £530 million” – only one seventh of the more frequently claimed £3.7bn (HSE, 2007). A rather similar figure can be calculated from the estimate of the total “costs to employers” of all work-related illnesses made by the economic analysis unit of the HSE. These costs were put at £1.5bn per year, and included the costs of sick pay and of the recruitment of temporary and replacement staff (HSE, 2004a). Allocating 40 per cent of these to stress gives a cost of £0.6bn.

The table below provides some comparisons.

<b>Production-related cost of work-related stress – £bn and %s</b>				
	costs (bn)	GDP	% of GDP	description
c2002	£3.7-3.8	£1,054	0.35%	HSE estimates of “costs to society”
c2002	£6.70	£1,054	0.62%	HSE estimates of “revenue lost to industry”
c2004	£0.53	£1,228	0.04%	HSE estimates of “costs to Great Britain”
c2004	£3.31	£1,228	0.25%	own estimate based on “days lost” in year

Source: own calculations; GDP for UK from table A2 BKTL adjusted downward by 2% to take account of N. Ireland; other sources referenced in text

Costs of work-related illness are often presented alongside estimates of the number of days lost within a year due to the absences from work attributable to such illness. Indeed, it is the “days lost” with which NICHE was concerned. The number of “days lost” can be drawn from questions within the Labour Force Survey. The total number of lost days per category of work-related illness can be estimated, and this can be allocated amongst those affected and across the workforce as a whole. In the early years of the decade, stress-specific illnesses were calculated to result in 13m days of absence, and this was the equivalent of about half a day per member of the workforce (HSE, no date). Given that the workforce was putting in 5.7bn full-time equivalent days (based on OECD statistics), a loss of output of just under 0.25 per cent of total output can be calculated. This is considerably higher than the cost to employers. It is lower than the cost of output loss that is sometimes quoted because it takes no account of permanent withdrawals.

### **Some comparators**

Measuring costs of work-related stress by attaching a value to the output forgone, whereby the latter is measured in terms of “days lost”, does allow comparisons with other disruptions to output. “Days lost through strikes” is a frequently-cited indicator. In recent years, the number of such days lost has been relatively low, although it rose to just over one million in 2007. In the 1990s, the average was only 660,000. On the other hand, in the 1970s, an average of 12.9m days was lost per year by strikes (Hale, 2008). Current levels of absence through work related stress – 13.5m days – are rather higher than this.

Another comparator is the cost of obesity and of obesity-generated illnesses. The House of Commons Select Committee on Health estimated that, for England alone, 15.5-16m working days were lost in 2002 as a result of obesity and obesity-generated illnesses. It put a cost on this, in terms of lost earnings, of £1.3-1.45bn. This estimate was acknowledged as conservative, since it covered only certifiable absence (Select Committee, 2004).

Smoking-related illness is reputed to cost 34m days lost in England and Wales, and alcohol abuse reportedly accounts for 14m days lost (Parrot and Godfrey, 2004; Pettengell, 2007).

### **Some caveats**

The costs of output loss suggested so far might both under-represent and over-represent the output loss consequent upon work-related stress. Estimates based on days lost in the year might under-represent it because, even if an employee is not absent, if he or she is ill, he or she is likely to be less productive than if he or she is well. Equally, his or her illness might reduce the productivity of those with whom he or she works. On the other hand, they might over-represent it because the mere fact of an absence or lower performance by an individual does not mean a one-for-one drop in production. Fellow workers might undertake more in order to compensate.

Some have argued that it is not merely absenteeism that causes loss of output but also "presenteeism". Those who are ill continue to appear at work but operate at less than full efficiency. Their less than full efficiency might have its own knock-on effect,



reducing the productivity of fellow workers. Given the stigma of mental illness, presenteeism might be more frequent amongst those suffering work-related stress than amongst those suffering other work-induced conditions. One estimate of the output loss consequent on mental illness in the UK suggested that the loss associated with presenteeism might be some 1.8 times that associated with absenteeism (Sainsbury Centre, 2007). If that relationship applied to work-related stress, costs in the order of a further 0.45 per cent of GDP could be added to the costs of 0.25 per cent of GDP due to absenteeism.

It might also be argued that any disruption caused by sickness absence is merely frictional and short-term. There might be long-term consequences for the individual, who performs less well in work and earns less than might have been the case had he or she not been ill. However, in an economy with reserves of labour, the poor performance of any one individual can be compensated for by replacement. On the other hand, it might be argued that the productive capacity of the economy is determined by the human capital it has at its disposition. If this is so, the fact that a person might continue in work subsequent to absence but then works at less than full potential, or that a person might exit the labour force completely, cannot be ignored. Taking a human capital approach would lead to the conclusion that output losses presented so far are under-estimates.

Some of the initial HSE estimates tried to take account of enforced early withdrawal from work, although these estimates refer to all work-related illness and not only work-related stress (HSE, 1999). The output loss in 1995/96 caused by people who were merely temporarily absent was estimated to be £1.95bn and that caused by people who were absent and never returned to be about £0.24bn. Those who never returned, however, were assumed to be not producing for a further 11 years. The discounted value of the output loss for those additional years came to as much as £4.72bn, resulting in a total output loss of close to £5bn. The loss of output consequent upon all days lost in a single year, whether or not the person returned to work, constituted only a third of the output lost in total. If the behaviour of those who experienced work-related stress is assumed to be the same as that of those who experienced any work-related illness, the total output loss based upon a “days lost” measure might be up to three times as high as that given in the table above – up to

0.75 per cent of GDP. If the short-term costs of presenteeism were added, the total output loss of work-related stress rises to some 1.25 per cent of GDP.

Costing in terms of share of GDP might be criticised because of its failure to take account of costs of "stigma and discrimination" borne by individuals suffering from mental illness or of "grief, pain and suffering" that either they or their family or friends experience. However, if it is argued that the numerator has shortcomings, it has to be recognised that the denominator does, too. GDP is an imperfect measure of output. For example, it places no value on "household production", it counts cleaning up of pollution as an enhancement of production and it takes no account of depletion of non-renewable resources (Commission, 2008). On the other hand, costing in terms of share of GDP does have the advantage of enabling a widely accepted unit of measurement to be employed. Perhaps more importantly, it allows a multitude of estimates to be standardised and compared one with another.

#### **What further work needs to be done?**

Understanding would be enhanced if an agreed measure of cost was developed and widely circulated. The most relevant seems to be the output loss. Here, the costs might be between a quarter and three quarters of one per cent of GDP. Within this range, the difference is attributable, at least in part, to whether or not long- as well as short-term output loss is considered. However, even the HSE data used to generate these figures are not particularly up-to-date. The Executive's most recent attempts to cost illness and injury figures are described as "interim". They are at least four years old and they are rough. Moreover, they make no attempt to separate out the incidence of different types of illness. Nevertheless, it appears that, whilst in the middle of the last decade, work-related stress was responsible for about 30 per cent of days lost in any one year due to work-related illness (HSE, 1999), by the middle of the current decade, it was responsible for about 40 per cent of them (HSE, no date).

Data bases such as the Health Survey of England have as yet paid little attention to work-generated mental health conditions. There is scope to complement the analysis that is based upon Labour Force Survey data with analysis of data drawn from other sources. Administrative data has been used to look at days of certified sickness in the case of illnesses generated by obesity. Similar analysis might be possible with respect

to work-related stress. Here, data on inflows into and out of invalidity benefits could provide a help. These data could give insights into the age of entry into long-term absence, and the duration of these absences. This would contribute to a better understanding of longer-term output losses, since it would provide information about people who left the labour market for an extended period or who never returned to work. Such analysis would require access to information collected but not currently published.

Dedicated longitudinal studies that would allow individuals who experience work-related stress are, at the moment, barely present. Because of this, it is not possible to tell whether the impact of any one spell of suffering has long-term consequence and so whether arguments about the depreciation or underutilisation of human capital are valid. The British Household Panel Survey large enough or detailed enough to provide additional information. The Whitehall Study of civil servants contains a longitudinal element, but it is restricted to a particular sector – albeit one that appears to show one of the highest incidences of work-related stress (HSE, no date). The English Longitudinal Study of Ageing (ELSA) might provide insights into work-related stress induced exits from the labour market amongst older workers, but as yet only covers only a short time period.

This suggests that the Labour Force Survey will remain an important source of information. Analysing it will require data pooling to look beyond broad aggregates. Industry and occupational breakdowns of where output losses arise might be possible. The short, panel component of the survey might provide opportunities to study transitions, and these could be explored.

Last, in any analysis undertaken, the recursive nature of experience of work-related stress and occupational performance, and the interrelationship between incidents of work-related stress and pre-existing conditions, would have to be taken into account. This requires attention to be paid to the econometric techniques that should be employed as well as to the variable that might provide instruments that could help overcome the problem of endogeneity.

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## *Chapter Five*

### **Can the Economic and Social Costs of Sickness Absence be Reduced by Improving the Quality of Working Life?**

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Improving the quality of working life (QoWL) is a valued objective in itself and as a means of promoting economic and social welfare. Most people spend a large proportion of their lives at work; improve their QoWL, it is argued, and they will not only become happier and more productive, but also take up fewer welfare and healthcare resources and perform more effectively as citizens and family members. The logic is seductive, but the pathway from improvements in QoWL to economic and social benefits is complicated. Additionally, the benefits can be hard to quantify, and may be too far removed from the workplace to be meaningful to the managers and employers who can bring about the changes needed to achieve them.

Reduction in sickness absence (SA) rates is a good proxy for many benefits that might result from improvements in QoWL. The accuracy of recording is questionable, but the category is tangible, data are routinely collected, and differences can be analysed over time and between workplaces. Most importantly, the costs of SA are immediate and transparent, providing a strong incentive for employers to act. There are, therefore, practical and methodological reasons for exploring the pathway between QoWL and SA rates.

#### *The economic and social costs of sickness absence*

The economic and social costs of SA are high, particularly when it leads to long-term uptake of Incapacity Benefit. Black (2008) states that 175 million workdays were lost to illness in 2006, incurring costs to the patient, the employer and public purse, as well as indirect social costs, including deprivation, poor health outcomes, and child poverty. Annually, SA costs UK employers an estimated £13 billion, (CBI/AXA 2008), with an additional cost to the NHS of £5-11 billion, and a benefit bill of £29

billion; bringing the cost for the taxpayer to £62-76 billion and the total cost to the economy to over £100 billion (Black, 2008).

Unfortunately, there is little reliable evidence of how much of this expenditure is avoidable. Freud (2007:68) calculates the savings to the exchequer of reducing long-term uptake of Incapacity Benefit at £62,000 per case, with a potential gross saving in benefits of £225 million. Estimates of potential savings are inevitably speculative; however, there is evidence of wide variations in SA across organisations, so if methodological difficulties can be overcome, it might be possible to estimate the savings that could be made if all organisations were able to match the SA rates of the best.

While aggregate estimates of potential savings may be valuable to government, the business case also needs to be made for individual organisations. A recent American review of the cost-benefits of workplace health promotion initiatives found some evidence of a favourable return on investment, but noted the poor quality of most studies (Goetzel and Ozminkowski, 2008). One of the more reliable is the Vielifle/IHPM Health and Performance Research Study (Mills *et al.*, 2007), which found that a health promotion strategy implemented in Unilever PLC achieved a modest reduction in SA, which combined with performance improvements, achieved a six fold return on investment. Valid and reliable tools for building the business case for individual companies may encourage them to take action and the government has introduced a Business Health Check tool for this purpose (Health, Work and Wellbeing Programme, 2008). However, action to reduce SA depends not just on evidence of the economic and social benefits, but also on an understanding of the nature of the problem.

#### *A bio-psycho-social model of sickness absence*

SA is determined by a mixture of biological, psychological and socio-cultural factors. The degree of pathology may be such that absence from work is inevitable, irrespective of the preferences of the patient, but in other cases the pathology is less severe, (perhaps even undetectable), and absence from work depends upon a process of appraisal and negotiation between the patient, the physician and the employer. In short, SA is not just an unmediated response to pathology, but also a form of illness

behaviour heavily influenced by psychological and socio-cultural factors, (Wainwright, 2008). Recognition of the psycho-social determinants of SA opens up the possibility that interventions designed to promote 'wellbeing' by improving the QoWL may lead to a reduction in SA, but what is meant by 'wellbeing at work'?

Baptiste (2008) identifies several definitions. The first refers to "the physical and mental health of the workforce" (p.287, citing Peccei, 2004, and Currie, 2001); the second to job satisfaction and "individual's feelings about themselves in relation to their job" (p.287, citing Warr 2002). Baptiste also cites Bakke (2005) who argues that "wellbeing can be linked to promoting an environment that makes work exciting, rewarding, stimulating, enjoyable" (p.291).

These definitions span two different approaches to conceptualising the QoWL, one focuses on conditions that prevail in the workplace, thus factors such as job control, job demands and support (Karasek and Theorell, 1990), are viewed as objective factors which have consequences for mental and physical health, irrespective of how workers appraise them, and improving the QoWL entails changing these 'objective' factors, for example, by reducing workload or re-designing jobs to give greater control.

The second approach focuses on the worker's state of mind and how workers individually or collectively appraise their working conditions and make sense of their experiences. Several authors have used social exchange theory (Siegrist *et al.*, 2004; Baptiste, 2008; Blau, 2006) to explore how performance and wellbeing may be improved if workers feel that the effort they invest in their work is adequately rewarded, not just financially, but affectively. A key factor is the degree of commitment-to-work this engenders and White (2008) contends that commitment to organisations and absenteeism are correlated. Baptiste (2008) argues that interventions which allow for employee voice, involvement and information sharing, as well as extensive opportunities for training and development, signal trust in employees, which according to social exchange theory, improves employees' feelings about their work and may lead to reduced rates of SA.

There are then two plausible hypotheses regarding the relationship between QoWL and SA: first, the *Realist* hypothesis, which predicts that changing the objective characteristics of the workplace will have a direct impact on health and therefore reduce SA; and second, the *Constructivist* hypothesis, which predicts that subjective appraisals of QoWL will influence commitment to work, which in turn will influence the decision to take sick leave.

#### *Evidence of the effectiveness of the wellbeing and QoWL approach*

While there is an extensive literature on QoWL and its implications for health, comparatively little is known about its impact upon SA. Three review articles provide a summary of the current knowledge base (Egan *et al.*, 2007, Bambra *et al.*, 2007, 2008).

Egan *et al.* (2007) looked at organisational interventions which aimed to increase employee control, based on the “demand-control-support” model (Karasek and Theorell 1990, Marmot *et al.*, 1999); an approach championed in the Government’s white paper “Choosing Health” (Department of Health, 2004). Egan found some evidence that organisational-level participation interventions may improve health and reduce SA rates. A study of UK civil servants by Bond and Bruce (2001) showed that setting up a workers’ volunteer steering committee reduced absenteeism over the year long intervention, although Egan notes that the authors provide few details of the intervention. Maes *et al.*’s (1998) study of Dutch factory workers found that absence rates were reduced when a consultative committee of volunteer workers was established, concurrent with a smoking cessation and exercise programme and psychosocial skills training. A controlled study of Japanese factory supervisors (Karakami *et al.*, 1997) who designed interventions against workplace stressors they had identified, comprising ergonomic and overtime changes, also improved absence rates.

Bambra *et al.* (2007) reviewed the psychosocial and health effects of task restructuring interventions, citing two studies showing that increased social support in the workplace may reduce SA (Johnson and Hall, 1988, Stansfeld, 1997), but more recent research (Beehr, Bennet and Bowling, forthcoming) suggests that social interactions with potentially supportive others that focus on work stress might be



more harmful than helpful. Bambra *et al.* discuss the methodologically strong research of Wahlstedt and Edling (1994 and 1997) who studied postal workers, manual workers and supervisors in factories whose SA rates were improved by complex interventions including role clarification, clearer production goals, shift changes, and increased feedback. Employees helped to plan these interventions, leading Bambra to conclude that it was the employees' increased levels of control which led to their improvements in well-being, and that that policy interventions which aim to improve job control should remain a priority.

In a later review, (2008), Bambra *et al.*, focus on the effects of Compressed Working Week (CWW) interventions on the health of shift workers. CWW interventions comprise a re-structuring of shift patterns to concentrate work hours into a smaller number of days per week. They found that such interventions may improve health and work-life balance, but that the methodological quality of studies was generally low. A prospective cohort study of female American nurses (Slota and Balas-Stevens, 1990) found that CWW improved absence rates, and a more recent study of an American aerospace company found that a CWW intervention improved absence rates from 11.39 to 4.69 days per annum, (Van Borkenhagen-Chandler, 2004).

Most of the research described in the three reviews is grounded in the *realist* hypothesis, (that SA is a function of objective conditions in the workplace), rather than on the *constructivist* hypothesis, (that SA is also a function of how workers make sense of their experiences at work). In summary, there is evidence, (even if much of it is methodologically weak) to support the claim that interventions based on the realist hypothesis can have at least a modest effect on SA rates. We take it as given, that further research of this kind is necessary, but in defining a future research agenda we have focused on questions arising from the largely neglected constructivist hypothesis.

#### *Gaps in the evidence base*

Recognising that SA is a form of behaviour that is influenced by how workers make sense of their experiences at work, rather than simply being an unmediated response to pathology, moves the debate about how to reduce its prevalence considerably beyond the traditional domains of occupational health and health and safety at work.

Reducing SA rates is not just about removing hazards from the workplace, or, the effective management of pathology, but also about the promotion of commitment to work. This implies an important role for line managers (Black, 2008) and Human Resource Management (Baptiste, 2008), not just in identifying problems and adapting working practices, but also in influencing the ways in which workers make sense of their experiences at work. Further research is required to explore the role of subjective appraisals of QoWL in determining SA rates. How are appraisals constructed and negotiated through interaction in the workplace? How are they influenced by workplace social networks, i.e. shared beliefs among groups of workers? And what roles do managers play in shaping these appraisals, for good or bad?

The highly cognitive and negotiated character of SA behaviour also implies that interventions may impact differently on different groups in the workplace. For example, Cognitive Behavioural Therapy may work with chronic pain patients (Vowles *et al.*, 2008), but not for people struggling with work-life balance issues. Specific interventions may only be appropriate for particular workplaces, jobs and health problems, and at particular points in a worker's lifecourse. Thus, the generalisability and transferability of QoWL interventions as a means of reducing SA needs to be assessed. Are there QoWL interventions that can achieve reductions in SA rates regardless of the characteristics of the workplace or the workforce, or is a more bespoke approach required, which tailors interventions to meet specific needs? At what level of aggregation are interventions likely to be effective, i.e. the individual, the work group, the organisation, or across organisations and employment sectors?

The constructivist hypothesis also raises the possibility that interventions may inadvertently increase SA rates by amplifying perceptions of workplace health risks; this process has been described as 'diseasing the workplace' (Furedi, 1999), for example, stress audits and stress management interventions may amplify perceptions of risk and encourage workers to medicalise their problems, potentially leading to 'epidemics' of stress related sick leave (Wessely and Hotopf, 2001, Wainwright & Calnan, 2002, Furedi, 2004).

Conversely, interventions may prove *too* effective and encourage workers to attend with health problems which seriously reduce their performance, or which infect other

members of the workforce. The problem of 'presenteeism' is well documented, (Aronsson and Gustafsson, 2005), but little is known about the role of SA interventions in exacerbating it. Evaluations of interventions frequently focus on a narrow band of outcome indicators, for example, self-reported reductions in stress, and fail to explore broader adverse outcomes including negative consequences for performance and wellbeing. The search for 'side-effects' of QoWL interventions should, therefore, be included in evaluations. Does the drive to reduce SA generate presenteeism? Is there evidence to support the claim that focusing on particular work related health issues may amplify their prevalence and increase SA rates? The pursuit of satisfactory answers to these questions will depend upon separating the evaluation of interventions from their provision.

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## *Chapter Six*

### The Social and Economic Benefits of Improving the Quality of Working Lives of Older Workers and Employees with Established Health Conditions

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A broad definition of quality of working life (QoWL) would cast the concept as encompassing elements that relate to: intrinsic and extrinsic job satisfaction, physical quality of the work environment, job-demands/workload; psychosocial elements; exposure to harm and threats to well-being; work-life balance issues and security of employment. In focusing on older workers and employees with debilitating health conditions wishing to remain in/return to work, primary distinctions can be drawn between evidenced and inferential influences on the quality of working life of members of these groups compared with the wider working population. Policy agendas in this area reflect the Government's overarching philosophical commitment to reduce social exclusion and economic imperatives surrounding IB costs, forecasts of a rising pensions bill and labour shortage.

#### *Social exclusion*

The overwhelming evidence is that older workers and those with ongoing health issues are disproportionately excluded from work and over-represented in low skilled, less secure, and low paid work (Dearden 1998; Taylor & Walker 1998; Bardasi, 2002; Fevre *et al.*, 2008). Commentators, almost unanimously, lay the blame for this state of affairs on employer prejudice; government (un)employment policy during the 1980's/90's; '*structured dependency*' engendered by the benefits systems and a bio-medical focus on disability, rather than ability (Taylor & Walker, 1998; Biggs, 2001; Walker, 2002). In the case of older workers, managerial practices are widely cast as the most significant barrier to the employment, in particular beliefs surrounding trainability, return on investment, creativity, cautiousness, physical capabilities, likelihood of having an accident, and ability to interact with younger workers. More

positively, beliefs surrounding ability to adapt to new technology, reliability, flexibility and productivity are reportedly less salient (Taylor, 2002; see also CIPD, 2007).

### *Influencing Employers*

In addition to policy initiatives aimed at benefits claimants, there is a significant focus on employers. Here, we can observe notable alignment between government, employers associations and advocacy groups, stressing the economic benefits of employing older workers and those with ongoing health conditions. The policy perspective is one of self-regulation and corporate social responsibility, with much faith placed in education initiatives (Black, 2008b); some have suggested “unrealistic faith” (Taylor & Walker, 1998). Core ‘*educational themes*’ advanced by government and industry associations focus on the economic case for: extending working life; a managed approach to maintaining well-being and rehabilitation and debunking of cultural stereotypes, principally surrounding the costs associated with higher absence rates and lower productivity. However despite notable hyperbole, there is a paucity of rigorous evaluation evidence of the impact of these messages on employer behaviour. Moreover, the rhetoric of employers associations (and some government departments/agencies) is very much focused on issues of employment and retention, rather than QoWL per se, or the Government’s broader vision of benefits to the wider society (Blair, 2005). Where reference is made to enhanced QoWL it tends to be cast as a fringe benefit, bringing benefits in terms of staff retention and recruitment, rather than an objective in itself (PMSU, 2005; BERR 2008; The Work Foundation, 2008).

### *Demographic differences*

Thus far, older workers and people with disabilities have been implicitly cast as homogeneous groups. Clearly, this is not the case, in terms of ability to work, employment life-chances, or employer perspectives. For example, in considering the implications of extending working life, there are foreseeable differences by sector and employment status. From the limited empirical evidence available, it can be inferred that for some groups (professionals, senior managers, skilled employees and those working in the public sector) extension of working life may well amount to just that; a seamless continuation of existing employment/profession and/or flexible engagement. For members of other 60/65yrs+ groups there will be a need to find alternative

employment. A similar pattern might be inferred for returners following extended absence. The evidence suggests that low skill, low paid and less secure employment will characterise the opportunities for many, potentially extending to those formerly in middle management, white collar and skilled employment, with significant under-employment and wastage of experience/ability. Members of these groups are also likely to have less favourable pension arrangements and consequently less flexibility with regard to their working arrangements and the timing of their eventual withdrawal from the labour market. For some, there is a risk that this period of their working lives will be characterised by acute poverty and psychological distress with a widening of social difference in old age (Couch, 1997; Walker, 2002).

Patterns of extension of current employment and redeployment can also be predicted to vary between sectors. Established data sources on employment demographics, e.g. the LFS, HSE's SWASH survey (2005) and census data, should permit a mapping of the employee age distribution by sector. However, they are likely to yield limited data for those over 60/65yrs, and offer a richer picture of those in work rather than those seeking work. It is likely that new data would need to be gathered to establish patterns of migration, e.g. over 50's migration to alternative occupations is a widely recognised feature of the construction and health care sectors (Buchan, 1999). Additionally, there are no known sources of reliable quantifiable evidence that relate these variables to ratings of QoWL.

#### *Socio-economic benefits*

Turning to foreseeable socio-economic benefits from enhanced QoWL, the discussion that follows is essentially generalisable to all employed populations, however the focus in this instance is on the 60/65+, chronic ill health and IB groups. Policy and employer association commentaries are dominated by a number of recurrent themes, that represent a sub-set of the variables identified within the academic literature on QoWL. Of particular note is a lack of engagement with aspects relating to the intrinsic quality of work and job demands, with modest attention to psychosocial elements (EWON, 2001):

*Flexibility* - Considerable emphasis is placed upon the benefits of flexibility to both employees and employers. Opportunities for part-time working, flexitime, shift



working and home-working, etc., are cast as enhancing employee opportunities to balance work against other commitments / work-leisure preferences. Benefits to employers are held to include smoothing of peaks and troughs in demand for goods and services and enhanced industrial relations, though enhanced employee satisfaction (BT, 2005; BERR, 2008). Flexible working arrangements are said to enhance staff retention / attract older employees and facilitate rehabilitation. However, it seems only around a third of employers currently offer flexible working options (CIPD, 2005).

*Work-life balance* – The Work-life balance theme is routinely linked with flexibility. The need to redress Britain's 'long-hours culture' constitutes a core theme. Improved balance is claimed to: reduce job-stress and absenteeism, and enhance productivity, staff retention (DTI, 2003; BERR, 2008) and recruitment success (Work Foundation, 2008). The available evidence suggests that work-life balance preferences vary by age (perhaps more accurately career stage / cycles of non-work commitments) of employees (BERR, 2008; Beazley, 2008).

*Health and lifestyle* – Workplace health proportion initiatives are fairly widespread, amongst larger employers (Marlow 2008). Potential benefits to employees, their dependants, society and health services are fairly transparent. Claimed benefits to employers include reductions in sickness absence and enhanced organisational commitment (BERR 2008; Black 2008 Van Larr, *et al.*, 2008). However, despite intuitive appeal and extravagant claims there is no strong independent evaluation evidence to substantiate this influence model. The concept of '*active aging*' places strong emphasis on the linkage between activity and health, and employer contributions to healthy aging (WHO 2001), i.e. poor health limits activity (and is a major factor in early retirement); equally, activity makes an important contribution to health. Of the Black review recommendations, employee lifestyle interventions appear to be the most widely adopted, but the least likely to have a significant impact on rates of sickness-absence or long-term health.

*Health risk management and return to work* – The Black review calls for employers to actively manage health and rehabilitation through a focus on ability rather than disability. Despite claims to the contrary (EFA, 2008) it is known that older employees exhibit higher absence rates (HSE, 2006). It is equally likely that those

with ongoing health conditions will exhibit higher rates. A proactive employer-led approach to maintaining employee health and managed early return following absence brings benefits to employees in minimising loss of earnings, distress and associated hardship. Benefits to employers surround minimising lost capacity / productivity, lost investment in employees, erosion of skill base / corporate memory, staff-substitution costs and sick pay. There is also an impression that few employers have been successful in cerebrally divorcing their perspective on ill-health management from their desire to curtail non-legitimate absence.

Arguably, the most significant and potentially influential recommendation of the Black review was that employers should supplement the traditional treatment based approach to occupational health (where present) with a risk (prevention and control) based approach, i.e. alignment with the broader public health agenda and the established approach to workplace safety. There is scope here for a more embracing perspective on quality of working life, aligned with the Finnish concept of workability (see, Ilmarinen, 1999; Nielsen & Dyreborg, 2001; Beazley, 2008), which offers a potentially embracing framework for addressing the QoWL variables outlined at the beginning of this paper.

### *Conclusions, Evidence Gaps and Scope for Future Research*

While important policy agendas surround the employment prospects of large numbers of older workers; IB returnees and those with on-going health issues, when in employment it is important to not lose sight of the fact that their QoWL experiences are common to wider swathes of the working population, i.e. QoWL is a structural issue, not a disabled, or older workers issue per se.

The following conclusions are drawn over evidence gaps and research needs. Important questions surround variables that motivate employer practice; cross sector variability and the distribution of vulnerable groups; the degree of consensus and vision over what constitutes good employer practice, and socio-economic implications for the well-being of employees and the wider society.

- To date, government and employer bodies have focused on the business benefits of investing in older employees, maintaining employee health and proactive absence management. Robust evidence in support of the business

case remains modest. Moreover, few employers possess sufficiently sophisticated accounting systems to make these financial calculations - including those that exhibit good practice. What motivates employers to invest in enhancing QoWL remains under-explored, but insight on this issue is fundamental to informing policy agendas aimed at motivating behavioural change. There is a need for research that develops a more sophisticated understanding of employer motives for investing in QoWL.

- The definition and propagation of a more comprehensive risk-management based approach to maintaining employee well-being (that encompasses health promotion, maintenance of health, and managed facilitation of re-entry to work, that supplements established engineering controls of health risks in the workplace), implicit within the reorientation of occupational health called for in the Black review, has significant potential to impact on QoWL. The Finnish concept of workability appears to be usefully aligned with this perspective, offering an embracing model for addressing employee well-being. However, to date it has tended to be focused at the level of the individual, and unnecessarily limited to an extension of traditional biomedical models of well-being. There is scope for research that explores the scope for developing a risk management approach to employee well-being and QoWL; extending to the use of pilot organisations to exemplify good practice.
- Inferentially, there will be differences in patterns of employment for older workers and those who have experienced extended health-related absence compared with other groups. Alternative futures include: (i) no significant (policy or market led) change in employer recruitment/retention practices; (ii) change within a subset of sectors only; (iii) significant change across all sectors (iv) changes in labour demand. Research that establishes current patterns of employment for target groups and employee ratings of QoWL, referenced to employer practices (logically a component of a broader study of QoWL) is of transparent utility. This would provide policy relevant intelligence on variability between sectors, demographic differences, baselines against which to assess change and inform the forecasting of alternative futures and the socio-economic implications for employees, employers and

society.

- Policy and employer association perspectives on age and health are dominated by access to employment issues, rather than QoWL. Enhanced QoWL tends to be cast as a component of the business case for employment, rather than as an objective in itself. There is scope for research that explores and quantifies the broader socio-economic benefits of enhanced QoWL, and the implications of failing to do so.

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## *Chapter Seven*

### Workplace Demographic Diversity and Employee Well-being

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There is growing evidence that well-being improving measures such as *flexible working time arrangements*, *work-life balance* and *equality* are linked to several economic and social benefits. Such measures are thought to be particularly important considering recent changes in the UK labour force. *First*, Britain has large numbers of disabled people and people with long-term illness, compared with other European countries, and proportionately fewer of these people are in employment (Blekesaune 2007, 2006; EHRC, 2008). *Secondly*, the population of the UK is ageing, and it is expected that by 2020 a third of the population will be over the age of 50 (Dean, 2003). *Third*, women's participation in the labour force has increased substantially, and that women with pre-school age children are representing growing proportion of the labour force (Walling, 2005).

Aside from the often cited benefits relating to motivation, performance, absenteeism, and turnover, among others, there is recent evidence pointing to further benefits associated with improved employee working life. Heckman (2007) and Cunha and Heckman (2007) provide evidence that persistent and substantial ability gaps across children from various socioeconomic groups emerge well before they start school. Provisions such as flexible time arrangement and work-life balance are therefore likely to lead to better care for children at home and a better future for society in general.

The workplace is considered to offer the ideal setting and infrastructure for supporting the promotion of the well-being of a large audience (WHO, 2007). Workplace focused policy interventions could thus prove extremely beneficial in bolstering employee well-being. To be successful, however, such interventions need to be led by a strong evidence base on the causes correlates and consequences of employee well-being. In

this regard, a research issue of concern to this study is whether and, if so, how demographic differences between work group members affect group member subjective well-being. Existing evidence suggests some adverse well-being effects associated with workgroup diversity in general and that involving socially disadvantaged groups such as older workers, people with disability and ethnic minorities in particular.

### *Workgroup diversity*

Workplace diversity refers to the extent to which there are differences, demographic or otherwise, between group members in a workplace setting. Diversity may affect group processes and performance, as well as influencing group member attitudes and subjective well-being (Williams and O'Reilly, 1998). Harrison and Sin (2006) note the growing need to understand how diversity influences individuals and group processes and outcomes as workplaces continue to be more diverse in the sociological and psychological characteristics of their workforce.

Different aspects of workplace diversity may have different implications for individual and group processes and outcomes. The focus of this paper is on workplace diversity as measured by the (degree of) presence of socially disadvantaged groups at the workplace. This is in line with the sociological notion of measuring workgroup diversity as introduced originally by Blau (1977). To analyse the links between workplace diversity and employee well-being empirically, there is a need for an operational definition/measurement of diversity itself.

### *Employee well-being and diversity: existing evidence*

The existing literature tells us little concerning links between workgroup diversity and employee well-being. This is not because of a dearth of diversity research. Jackson *et al.* (2003) found 63 studies for the period 1997-2002, but noted that these contained very little about affective outcomes. Earlier reviews (e.g., Millikin and Martins, 1996) tended to conclude that diversity was associated with reduced satisfaction at work, but this seems to have been based on weak evidence. Fields and Blum (1997) pointed out that the evidence on diversity and satisfaction was drawn from a few studies using old, non-representative, and/or poorly controlled data; Maume and Sebastian (2007) made much the same criticisms. Peccei and Lee (2005) found eight

US studies assessing the relation of gender proportions to satisfaction, but similarly noted the paucity of control information in these studies.

Part of the reason for this dearth of evidence on well-being is that most diversity research, largely taking place in the USA, has not pursued the connection with inequality. The leading studies there (e.g. Jehn *et al.* 1999; Jackson and Joshi, 2004; Kochan *et al.*, 2003; Pelled *et al.*, 1999; Leonard and Levine, 2006) have been typically conducted in a single large organization context, with an active policy of encouraging diversity, and compared performance outcomes across multiple teams that vary in levels of one or several types of diversity.

There are a few relevant British studies some with an economic and others with a sociological perspective, though they do not apply the concept of diversity. Frijters *et al.* (2006) find some evidence in support of employee discrimination, where they find job satisfaction to be significantly lower for white workers in workplaces with a high density of ethnic minorities. Peccei and Lee (2005) study the impact of gender diversity on job satisfaction and find that gender similarity has a positive impact on job satisfaction, particularly for men. In a study investigating claims of despondency in the British workforce using the BHPS, Rose (2005) finds some evidence relating to gender differences in the trends of job satisfaction in the 1990s. Shields and Price (2002) investigate the determinants of perceived racial harassment at the workplace and its impact on job satisfaction and quitting behaviour among ethnic minority nurses in the NHS. They find that ethnic minority nurses do experience a significant reduction in job satisfaction due to racial harassment.

#### *Employee well-being and diversity: this study*

The employee well-being measures used in this paper relate to subjective measures of well-being monitored in the WERS2004 survey. There are two groups of such measures – *eight facets of (job) satisfaction* and *six affective well-being* measures.

Diversity is measured by an index defined as *one minus the sum of squared shares of groups* (disabled and older workers in particular) in a workplace. As well as workplace diversity, the study controls for a range of employee, workplace and



geographic characteristics in addition to accounting for unmeasured workplace characteristics to establish links between employee well-being and diversity

The specific findings on workplace disability and age (50 or over) diversity are: (i) disability diversity is associated with lower employee well-being among non-disabled employees in six of the eight facet satisfaction measures and two of the six affective well-being measure, (ii) age diversity is associated with higher well-being among employees who are 50 or over in one of the eight facet satisfaction measures and all of the affective well-being measures, (iii) workplace equality policies (as measured by summary scores of workplace equality practice and policy measures) do not ameliorate the negative effects of workplace demographic diversity.

#### *The position of socially disadvantaged groups of employees*

Socially disadvantaged groups of workers such as those with chronic ill-health conditions in employment deserve particular mention in the discussion of wellbeing and working life. There is sufficient evidence to suggest that people with long-term illness are more likely to experience negative treatment at work (EHRC 2008, Madden 2004, Jones *et al.* 2003). Such unfavourable treatment at work is likely to reduce the well-being of these workers. What is equally noteworthy is whether the presence of socially disadvantaged groups at work reduces the well-being of co-workers, which some of the findings in this study suggest. There may be a number of reasons, including perceptions and cultures of people with chronic ill-health and their co-workers, for this. However, improving employee well-being requires understanding workgroup diversity and its link employee well-being.

#### *Conclusion*

There is evidence suggesting that workplace diversity adversely influences some aspects of employee well-being. The aspects of diversity covered by this study relate to socially disadvantaged employees. Given the need for increasing the labour market participation of groups such as old workers and people with disability, addressing such adverse well-being effects through policy intervention is essential. What is noteworthy here is that existing equality provisions at the workplace do not seem to ameliorate adverse well-being effects of workplace diversity.

It is essential that future research investigate the well-being effects of workgroup dynamics. There are several questions worth considering in this regard. *First*, there is a need for a multi-discipline and multi-method approach in researching into the effect of workgroup dynamics and its effect on wellbeing and working lives. There are alternative theoretical and methodological perspectives that need to be taken into account. *Secondly*, there is a general lack of longitudinal research in this area. Individual level well-being, however this may be measured, is influenced by various observed and unobserved individual characteristics and their interaction with the work environment. Longitudinal data, with all its difficulties in a workplace setting, on individuals would allow undertaking rigorous study into the effect of group dynamics on employee well-being. *Thirdly*, the current evidence is based either on a qualitative or quantitative piece of research, for the most part. We may be able to gain some new insight from a combined/mixed method research. *Fourth*, there is generally limited evidence on the well-being of socially disadvantaged workers, and what is available is based on a small sample of these workers, however representative they may be. There is a need for undertaking a comprehensive study involving such workers and how their and their co-workers' well-being is affected. *Fifth*, identifying specific aspects of the working life that will have the most effect in terms of either its effect on well-being or the economic and social benefits accruing from it might also be something that future research may need to pursue. Is it the employer, employees, customers or other aspects of the work environment that has the most influence? Answering this question will help prioritising interventions aimed at improving working lives. *Sixth*, existing knowledge base does not establish causation between well-being and its correlates and/or well-being and its economic and social benefits. Any way of establishing causation including, where possible, random assignment based research could help in consolidating what we already know about well-being and its correlates and in designing a more focused intervention. That there is a great deal of heterogeneity among firms and HR practices within them is likely to pose a challenge in implementing random assignment based study. However, it may be possible to focus research/intervention on small establishments with a single HR unit in assessing causation or the effectiveness of intervention.

An issue of practical importance (which Warr (1999) also emphasises) is to do with viewing the improvement of the quality of employees' working lives in conjunction

with their or the business's survival/competitiveness. The two should normally reinforce each other, if implemented the right way. However, there may be issues to do with making available certain provisions that, for example, may not be affordable to small workplaces/businesses. It is imperative that (higher) authorities step in by way of finding a workable solution to the problem in such circumstances.

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## *Chapter Eight*

### Towards an Evidence-Based Policy Agenda

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The papers summarised in this report make it clear that the evidence base for a strong policy agenda in the area of well-being and working life is not as strong as would be desirable. Of fundamental importance is the lack of data, particularly of a longitudinal type, on which to examine the environment in which the Black Review agenda is to be enacted. As Andy Weyman points out, the deficiency is especially stark in relation to the business case that justifies high levels of expenditure by employers on the well-being of their employees. Despite the pronouncements by the PwC team that advised the Black Review Panel that the business case for well-being initiatives is well-founded, there is a feeling that the methodological underpinnings of research in this area are not sufficiently strong for the case to be deemed proven.

Methodologically, existing studies fall very short of the ideal. The data on which they are based are likely to be subject to major measurement error, and the control for factors other than the wellbeing programme on the outcome in question are typically very different from anything like the experimental ideal. The cases themselves are unlikely to be a random sample of well-being initiatives, with the less successful least likely to be selected for examination. In particular, there is likely to be an absence of data that compare in a rigorous manner the pre-intervention and post-intervention impacts. In short, at best the studies are likely to give only a broad indication of the direct impact of the initiative on any outcome, and the body of evidence as a whole is likely to give an upwardly-biased estimate.

While there are some individual-based longitudinal data sets that can provide some information of relevance, these are not of great relevance to the agenda inspired by the Black Review. Moreover, there are no workplace-based longitudinal data-sets that will be of any relevance to this agenda. These gaps need urgent addressing. This

information gap needs closing. In the interim, more attention could be paid to the undertaking of case analysis. While this would not generate a great deal of knowledge of a generally applicable type, it can potentially yield information that could be useful for policy formulation in specific locations. A step in the right direction in this respect is the ongoing BUPA study of 700 case analyses that will be reporting in the near future. Other researchers could usefully follow this lead.

There are limits, of course, to how far such research can ever take us. The overwhelming evidence to date is that it is extremely unlikely that we shall be able to find strong associative relationships in this area. This is partly due to the difficulties in establishing treatment-response relationships for so many causes of work-related ill health and individual exposures, partly because of the complex inter-play with individual differences and psycho-social variables, and partly because there are no robust measures of key health conditions such as stress. Furthermore, chronic cases are not sufficiently plentiful for most conditions in any organisational context to establish the effectiveness of interventions.

The lack of a consistent and robust set of estimates of the costs of ill health that were highlighted by Bernard Casey is also of concern. At the very least, it does not allow us to get an accurate understanding of the scale of the problem that we are facing. This inevitably can permit some to minimise its scope and others to ring alarm bells. Such a situation is not good for strong policy-making. HSE has taken this critique directly on board. It is in the process of commissioning a project to produce estimates of the cost associated with an individual workplace injury or new case of ill health for 2006/07 and also the aggregate 'cost to Britain' of all work-related injury and new cases of ill health in 2006/07. This will include a critique of the current methodology and the production of a spreadsheet model, which can be updated on an annual basis. A bottom up approach will be adopted, to increase transparency and consistency between the aggregate and unit estimates. The feasibility of applying a different approach to valuing ill health will also be considered, for instance disaggregating 'the average case of ill health'.

There are also concerns raised about some of the interpretations that are being made of the information that already exists. Well-being is a complex concept and does not

lend itself to simple interpretation. Thus Andrew Brown and colleagues caution against a simple interpretation, and propose an interpretation that includes norms and values in its construction. Similarly, David Wainwright and Elaine Heaver suggest that a “constructivist” approach is superior to a “realist” one when dealing with the psycho-social factors promoting variations in sickness absence. Care is therefore needed in interpreting the information about well-being and working life and in developing a policy agenda upon it.

These differences also suggest the need to undertake mixed methods research, involving both quantitative and qualitative elements. The use of the former by itself is fraught with difficulty as it fails to capture factors that are not readily quantifiable, but which may be crucial in terms of mediating the links between employee well-being and both its antecedents and consequences. Use of the latter in isolation, will not give the strong general steer that the well-being agenda requires.

The Black Review has set a huge policy agenda. It requires that organisations transform how they manage challenges and risks to the well-being of their employees. To be successful, it needs to be underpinned by a strong evidence base. The evidence base that underpinned the original Review is just a start. Indeed, it only scratches the surface of what is needed. Its evidence in support of the business case is far from definitive; it fails to isolate which well-being interventions work and which do not; it does not specify the causal links between well-being initiatives and intermediate impacts and mediated by different organisational behaviours. The existing evidence base is certainly not the end of the Black-related evidence collecting exercise; it is at most the end of its beginning.

Encouraging in this respect is the advent of two initiatives linked to the Black Review that promise to help expand the well-being evidence base. The first is the proposed National Centre for Working Age Health and Wellbeing, which will focus on evaluating the existing evidence base, identifying gaps and disseminating best practice to healthcare professionals, employers and policy makers. The other is the planned joint Government–ESRC Institute of Wellbeing, which will focus on supporting new research in the area of wellbeing.