

## How to Design a “Return on Investment” Program in Factories

The HERproject of Business for Social Responsibility (BSR) is designed to help demonstrate the business case for onsite investments in the health of factory workers, particularly female workers. Too often, investments in worker health are viewed as hurting the bottom line and reducing profits of factories and suppliers from the developing world.

In fact, factories that put money into health services for workers find that such spending earns a return on the investment (ROI), or, at worst, is budget neutral. The savings come from such business benefits as lower rates of turnover and absenteeism, fewer overtime costs, fewer production errors and greater output.

HERproject (Health Enables Returns) will help put the tools in the hands of factory management for determining the return on investment for their spending on worker health.

### What are the main components of an ROI program?

An ROI study must coincide with the introduction of new health services at the factory. There are three elements to an ROI methodology:

1. **An audit of factory records.** The factory should perform an audit of the previous year or two, if possible, of data to provide a baseline for some or all of the following; absenteeism, turnover, returned goods, employee on-time bonuses, production output, overtime rates, or any other productivity data the factory keeps. Then the factory tracks the same data for the year in which new health services are introduced.
2. **A quantitative attitude survey** of employees before and after the introduction of services. A survey of a randomized sample of employees provides a baseline and enables the factory to learn about the health issues that affect workers work life as well as their perceptions of management’s concern for their wellbeing. A year after the introduction of new health services, a follow-up survey provides information about how workers value the services, whether they view it as affecting their absenteeism and turnover, and how they feel about management.
3. **Focus group discussions** with employees. Focus groups of no more than eight employees enable the factory to gain qualitative information about the new health services and its effect on their productivity and attendance and probe more deeply into issues that arise from the survey.

Together, these elements provide a range of information for determining the ROI and the overall value of the services. Each factory will differ in how they apply these three elements based on costs and available resources, some giving more emphasis to tracking one set of data over another. The surveys and focus groups play more than just a data collection role: they also help promote the new health program and indicate that management strongly supports it.

### What are the steps for putting an ROI program in place?

A “return on investment” program requires that a company has decided to provide new or expanded health services to its workers. So the design and implementation of the ROI program and new services must go hand-in-hand.

*Step 1: Designate a manager responsible for the ROI program.*

Whether the ROI work is performed externally, for example by trained researchers/auditors (which HERproject uses), or internally, the factory must designate a manager of the ROI program. The ROI manager is responsible for the implementation of the ROI, building buy-in for the program throughout management, and communicating results.

*Step 2: Determine the scope and design of the ROI program*

The ROI manager must determine how the three elements of the ROI are to be done within the time constraints, production schedules, and site logistics of the workplace. Key issues to be determined are:

- What will be the metrics tracked in the audit – absenteeism, turnover, overtime, error rates or any other indicators?
- How will the factory calculate the monetary value of desired changes in the indicators it chooses to track?
- How many workers will be interviewed in the baseline and endline surveys?
- How many focus groups will be held? And will there be focus groups at the beginning or end or both.
- Who will do the work for each element of the ROI program – factory employees, external experts or a combination of both?

*Step 3: Administer the baseline quantitative survey*

The baseline attitude survey is most useful when it takes a randomized sample of workers and asks a series of questions about how the availability or lack of health services affects their worklife, productivity, and attitudes. It makes sense to use the survey also as a Health Needs Assessment in which workers also provide information about health issues of greatest concern and accessibility to services. The HNA information then helps inform what new services to provide. If the factory has onsite health services or programs, the survey should also be used to gauge the quality and accessibility of those services from the workers' perspective. This provides important feedback for improving existing services.

The HERproject typically works with outside organizations to perform the survey and HNA, but factories can administer surveys using their own employees and internal resources. The key to any survey is that the workers feel comfortable with the survey team, who must be able to maintain complete confidentiality.

*Step 4: Collect/audit data from factory records*

Once the factory has determined what records it will audit (absenteeism, turnover etc.) the ROI manager must designate appropriate internal staff or hire external accountants to review the records. There are two sets of data that must be collected;

1. Baseline data for the last year or two before the start of new health services. Although not necessary, collecting two years of data is ideal as this allows the ROI program to see variability between the two baseline years that might be important in analyzing changes seen in the first year of services.

2. Current data for the first year of the new health services. It is preferable to create a system for tracking current data as the year progresses, but it also can be collected retrospectively at the end of the year.

*Step 5. Identify/Track major disruptions/interruptions for the baseline and current year*

The challenge for any ROI analysis is distinguish between changes to absenteeism, turnover and related productivity indicators due to external events and those due to internal actions of the factory, in this case a new health program. The ROI program must track predictable events, like national and religious holidays, production demand, and seasonal infectious diseases (eg. influenza seasons), that affect these indicators and should be relatively consistent year to year. But, it is equally important to track unpredictable disruptions that can affect productivity indicators such as strikes, political turmoil, catastrophic weather, and unusual disease patterns.

*Step 6: Monitor data on usage of new health services.*

The team managing the new health services should be collecting basic monitoring and evaluation data related to rates of employee usage or participation and types of services provided on a monthly basis. The ROI manager must receive this information and help ensure that any issues are addressed. For instance, if employees are not using the services or participating in the health program, this will likely reduce or eliminate any return on the factory's investment in health. It also likely means a problems exists with the services – anything from poor quality to low awareness of availability by employees to inadequate support by line managers.

*Step 7: Administer endline quantitative survey and focus groups*

After the first year of new services, an endline survey is administered to a randomized sample of employees. This survey mirrors many of the questions in baseline survey, but includes additional questions about the quality of services, rates of usage, and the impact on employees' productivity on the job as well as their decisions to come to work when ill and to leave the factory.

The focus group discussions complement the survey, enabling the ROI program to probe more deeply into qualitative issues raised in the survey and service data, such as the perceived quality of services and barriers at work and home to meeting health needs. It is best to have multiple focus groups, which allows qualitative comparisons to be made based on gender, marital status, age, job level, or other distinctions.

Since focus groups succeed only if participants feel free to speak their minds, it is critical that the facilitator be viewed as independent from management who can be trusted to keep each participant's identity confidential.

*Step 8: Analyze the ROI data*

With all the data collected, the ROI program determines compares the audit data, survey data and focus group to see what impact the health services has had. This includes determining the monetary value of demonstrable changes in absenteeism, turnover or productivity as well as the perceived value employees assign to the health services in the survey and focus groups. The HERproject produces an extensive ROI report when it is involved in the ROI program.

However, the factory should produce a very short internal document highlighting main findings and any many action steps, if needed.

*Step 9: Share the results*

Each factory needs to determine how it shares the results of the ROI study. In general, sharing the results widely is important to do because this shows management support for the health services and reinforces the perception that employee needs and views are being addressed. At minimum, senior and line managers need to be aware of the results. If they are positive, the result reinforces the message to managers that encouraging employee use of the health services improves productivity and profitability. If there are issues to be addressed, it makes managers aware of their role in helping address them.

*Step 10: Institutionalize the ROI process.*

Ideally, the ROI program is not a one-year activity, but rather enables the factory to develop the capacity and systems to track the value of its investment in health on an ongoing basis and at low cost. The intensity and frequency of ongoing surveys and focus group will differ from factory to factory. But the value of an ROI program is not simply to monetize the value of factory health services; it is also to ensure that a factory is getting the most out of the health investments it has already made.

**What is HERproject?**

Business for Social Responsibility, in partnership with the David and Lucile Packard Foundation and the Extending Service Delivery project (ESD), is working to address the unique and unmet health needs of young women workers along global supply chains. To this end, BSR developed HERproject as an innovative and cost-effective model for health investments.

**How Can HERproject Help?**

Investing in worker health is more than a moral imperative – there is a strong and compelling business case for such investment. ESD, a USAID-funded project and BSR partner, carried out a factory-based, return-on-investment research in a Bangladeshi factory and found that for every \$1 invested in women’s health, factories reaped \$3 back in the form of lower turnover, reduced absenteeism and better worker attitudes.

The HERproject team is available to assist companies is developing peer awareness health training and service provision programs that meet the needs of women workers. In addition to helping a company design a health program targets to specific health needs of workers and identify local training and health providers, HERproject will provide the expertise or build the internal capacity to report on the health outcomes and ROI impacts of the health investment.