Enhancing Health and Productivity Management

March 2020
Healthcare Industries Division
Ministry of Economy, Trade and Industry
What is “Health and Productivity Management”?

● “Health and Productivity Management (H&PM)” is an approach that considers health management of employees from a corporate management perspective and promotes it strategically.

● Investment in employees' health as a corporate philosophy is expected to lead to invigorating a company as a whole by improving employees' vitality and productivity and thus eventually result in enhancing its performance and driving up its stock price.

Effect on a company

Employees’ health promotion

Investment in employees' health

Enhancement in employees' vitality and productivity

Gaining excellent manpower

Enhancement of corporate philosophy

Effects on society

- Enhancing QOL of people
- Creation of healthcare industries
- Achieving appropriate Medical care expense for citizens in Japan

Corporate Philosophy
J&J’s “Our Credo” and Contribution to corporate value

- Johnson & Johnson’s “Our Credo”, created 75 years ago, declared that they are responsible to their employees’ health and happiness.
- The company reported that each dollar of investment in H&PM represents a return of 3 dollars.

**Return to investment for H&PM**
- J&J estimated the return on investment, offering the health education program to its employees.
- It reported each dollar of investment in H&PM represents a return of 3 dollars.

**J&J “Our Credo”**

We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services. In meeting their needs everything we do must be of high quality. We must constantly strive to reduce our costs in order to maintain reasonable prices. Customers’ orders must be serviced promptly and accurately. Our suppliers and distributors must have an opportunity to make a fair profit.

We are responsible to our employees, the men and women who work with us throughout the world. Everyone must be considered as an individual. We must respect their dignity and recognize their merit. They must have a sense of security in their jobs. Compensation must be fair and adequate, and working conditions clean, orderly and safe. We must be mindful of ways to help our employees fulfill their family responsibilities. Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development and advancement for those qualified. We must provide competent management, and their actions must be just and ethical.

We are responsible to the communities in which we live and work and to the world community as well. We must be good citizens — support good works and charities and bear our fair share of taxes. We must encourage civic improvements and better health and education. We must maintain in good order the property we are privileged to use, protecting the environment and natural resources. Our final responsibility is to our stockholders. Business must make a sound profit. We must experiment with new ideas. Research must be carried on, innovative programs developed and mistakes paid for. New equipment must be purchased, new facilities provided and new products launched. Reserves must be created to provide for adverse times. When we operate according to these principles, the stockholders should realize a fair return.

**Return on Investment (3 dollars)**

- Improvement in productivity
- Reducing medical costs
- Improvement in motivation
- Gaining excellent manpower
- Enhancing its corporate value

**Investment in H&PM (1 dollar)**

- Labor cost
- System development costs
- Equipment costs

Source:「儲かる『健康経営』最前線」 Newsweek (March, 2011)
Importance of dealing with work loss

- U.S. Chamber of Commerce announced the release of a report about health and the economy in 2016. According to the report, productivity loss has a negative impact on national GDP (as below) and the effects spread both in terms of scale and area.
- Therefore, the importance of dealing with work loss is increasing.

### Table ES1 Total Economic Impact in % of GDP Due To Absenteeism, Presenteeism, and Early Retirement

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2030</th>
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<tbody>
<tr>
<td></td>
<td>Early retirement due to ill health</td>
<td>Absenteeism + presenteeism</td>
</tr>
<tr>
<td>Australia</td>
<td>2.9%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.2%</td>
<td>5.1%</td>
</tr>
<tr>
<td>China</td>
<td>2.1%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Colombia</td>
<td>2.3%</td>
<td>4.6%</td>
</tr>
<tr>
<td>India</td>
<td>2.5%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2.4%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Japan</td>
<td>3.2%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Kenya</td>
<td>1.9%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1.8%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Mexico</td>
<td>1.8%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Peru</td>
<td>2.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Philippines</td>
<td>2.4%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Poland</td>
<td>3.0%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>0.7%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Singapore</td>
<td>2.2%</td>
<td>3.2%</td>
</tr>
<tr>
<td>South Africa</td>
<td>2.1%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Turkey</td>
<td>1.8%</td>
<td>5.2%</td>
</tr>
<tr>
<td>United States</td>
<td>3.3%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

Source: Victoria Institute for Strategic Economic Studies estimates.

Source: U.S. Chamber of Commerce “HEALTH AND THE ECONOMY The Impact of Wellness on Workforce Productivity in Global Markets” (2016)
This program endeavors to highlight outstanding enterprises engaged in efforts to advance H&PM and thereby aims to organize an environment in which such enterprises are able to gain enhanced public recognition. Over 950 listed companies and over 23,000 SMEs have started H&PM.

Municipalities also established local qualifications related to H&PM.

Nationwide

【Large Organizations】

The Health & Productivity Stock Selection

The Certified H&PM Organization Recognition Program (Goal: over 500 organizations)

Other large organizations

【SMEs】

The Certified H&PM Organization Recognition Program

Organizations to engage in the Health-conscious Management Declaration (Goal: over 30,000 organizations)

Other SMEs

Locally

e. g.

- Aomori Prefect. Certification System Related to H&PM
- Shizuoka Prefect. Fujinokuni Health-conscious Management Declaration

Award from the head of local government

Certification & Qualification systems from Municipalities

Local enterprises
The Health & Productivity Stock Selection

- Since FY 2014, METI and the Tokyo Stock Exchange (TSE) have been conducting the Health & Productivity Stock Selection.
- 40 enterprises in 30 industries are selected as the 2020 Health & Productivity Stock Selection.

Selection Criteria

1. Enterprises ranking in the top 20% of all the enterprises that answered the Survey on Health and Productivity Management in terms of scores derived from the overall rating system.
2. Enterprises whose ROE (return on equity) is at least 0%.

Evaluation Framework

1. the positioning of H&PM in philosophy and policies
2. organized frameworks
3. specific systems for implementing H&PM
4. assessing and improving
5. adherence to laws and regulations and risk management
The Certified Health and Productivity Management Organization Recognition Program

- This program was launched 4 years ago to recognize outstanding organizations engaging in efforts for health and productivity management.
- The Nippon Kenko Kaigi, organizer of the recognition program, recognized 1,481 organizations under the large enterprise category and 4,723 organizations under the SME category as the FY2020 recognized organizations.
the Survey on Health and Productivity Management

- Organizations need to answer the Survey on Health and Productivity Management to entry The Health & Productivity Stock Selection and The Certified H&PM Organization Recognition Program for large organizations.

- 2,328 organizations answered the survey in 2019. They include 964 listed companies and 1,364 non-listed companies and organizations.

**Outline of the survey**

<table>
<thead>
<tr>
<th>Title</th>
<th>the Survey on Health and Productivity Management in 2019</th>
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<tbody>
<tr>
<td>Period</td>
<td>August to October in 2019</td>
</tr>
<tr>
<td>Scope</td>
<td>Domestic organizations</td>
</tr>
<tr>
<td>Number</td>
<td>2,328 organizations</td>
</tr>
<tr>
<td>Number (last year)</td>
<td>1,800 organizations</td>
</tr>
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</table>

**Changes of the number of answer organizations for 6 years**

- 1st in 2014: 493 organizations (80UP)
- 2nd in 2015: 573 organizations (153UP)
- 3rd in 2016: 726 organizations
- 4th in 2017: 1,239 organizations (561UP)
- 5th in 2018: 1,800 organizations (513UP)
- 6th in 2019: 2,328 organizations (528 organizations UP)
H&PM and ESG investment

- An increasing number of investors embrace ESG (environment, social, and governance).
- United Nations’ Principles for Responsible Investment (PRI) backs up ESG investments.
- Health and Productivity Management can be recognized as activities of “S” and/or “G”

**Six Principles**

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
Principle 6: We will each report on our activities and progress towards implementing the Principles.

**ESG Elements**

**Environmental (E)**
- climate change
- greenhouse gas (GHG) emissions
- resource depletion, including water
- waste and pollution
- deforestation

**Social (S)**
- working conditions, including slavery and child labour
- local communities, including indigenous communities
- conflict
- health and safety
- employee relations and diversity

**Governance (G)**
- executive pay
- bribery and corruption
- political lobbying and donations
- board diversity and structure
- tax strategy
The smart work management workshop which Nikkei group conducts released its research report in June 2018. According to this report, ROA and ROS of companies engaged in H&PM increase compared to those that do not. Also, these effects can be seen for 2 years after implementation.

Source: Smart work management workshop 「働き方改革と生産性、両立の条件」 (2018)
Relationship between H&PM and corporate performance was researched based on the survey on H&PM in 2018.

If portfolios composed of weighted average of H&PM scores were held at the end of March in 2014, an excess return of around 30% in 5 years in comparison to TOPIX index have been shown.
The average of relative scores by industry of the ratio of operating profit to sales was shown as below, in cases that the year each companies started H&PM is "0".

While the score for the 5 years before the companies started H&PM shows negative values, these tend to turn positive after adoption, and are strongly positive 5 years on.
Employee turnover rates are lower in companies engaged in efforts to advance H&PM compared to the national average in Japan in 2017.

Turnover rates of certification & qualification systems related to H&PM

- The 2018 Health & Productivity Stock Selection (selected in FY2017): 2.7%
- The 2018 Certified H&PM Organization Recognition Program (selected in FY2017): 3.8%
- The average in 2017 in Japan: 11.6%

※離職率の全国平均は「厚生労働省 平成29年雇用動向調査結果の概況」に基づく。（ただし健康経営度調査の回答範囲と異なる可能性がある）
※離職率＝正社員における離職者数の設問/正社員数を各社ごと算出し、それぞれの企業群で平均値を算出
※なお、離職率に関する設問は健康経営度調査の評価には含まれていない。
H&PM Award in Sri Lanka

- Health and Productivity Management has spread abroad.
- The H&PM Award in Sri Lanka established in 2019 referred to Japan’s “Health & Productivity Stock Selection” with JETRO’s support.
- 4 companies were selected for the gold prize and 4 companies were selected for the silver prize.

SRI LANKAN CORPORATE HEALTH & PRODUCTIVITY AWARD

Examination committee: COYLE(The Chamber of Young Lankan Entrepreneurs), JETRO, Hitachi, Ltd., JASTECA(Japan Sri Lanka Technical and Cultural Association), IPS(Institute of Policy Studies of Sri Lanka), SLMA(The Sri Lanka Medical Association)

Date: 13, February, 2019
Venue: B.M.I.C.H exhibition & convention centre
Sponsorship: COYLE(The Chamber of Young Lankan Entrepreneurs) and JETRO Colombo
Japan-U.S. Business Conference

- The 55th Japan-U.S. Business Conference was held and a joint statement was issued in November 2018. In the statement, H&PM is regarded as an important topic.

Joint Statement in 2018

I. Global Trade and Bilateral Relations
11. The concept of “Health and Productivity Management (H&PM)” is also important to improve productivity and maintain the innovation advantages that the U.S. and Japan currently enjoy. H&PM can enhance corporate performance and value in capital markets by improving employees’ health, vitality and productivity, and the Councils recognize the importance of advocating for these concepts together with both governments and other business communities.

Supplement on Healthcare Innovation in 2017

Section II: Maintaining Workforce Health and Productivity, Reducing Economic Burdens of Diseases, and Extending Healthy Life Expectancy
Preventive Care and Health and Productive Management: Create incentives to promote wellness through preventive care measures, such as use of vaccines and health and productivity management initiatives inside public and private organizations through systematic process management and behavioral modification.
Joint Conference with APFF on H&PM


• Around 90 people including financial institutions, insurance companies, pharmaceutical companies, universities, governments and media in APEC economies took part in this conference.

**Joint Conference with APFF on H&PM**

<table>
<thead>
<tr>
<th>Date</th>
<th>28, January, 2019</th>
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<tbody>
<tr>
<td>Theme</td>
<td>The role of financial services in enhancing health and productivity management</td>
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</tbody>
</table>
| Agenda      | Session 1: The economic and social challenges facing APEC economies from NCDs and aging  
              Session 2: Innovative approaches to insurance for health care solutions  
              Session 3: Promoting financial market support for H&PM in the corporate and SME sectors  
              Session 4: Innovative health care financing mechanisms |
Health and Productivity Management is a key pillar in the B20 Tokyo Summit Joint Recommendations of March 2019.

(4) Support business’ voluntary initiatives to promote health and productivity management

Improving employees’ health and vitality can enhance not only corporate performance and value in capital markets but also extend healthy life expectancy in ageing societies and promote social inclusion. The G20 is expected to support businesses’ voluntary initiatives to promote health and productivity management.