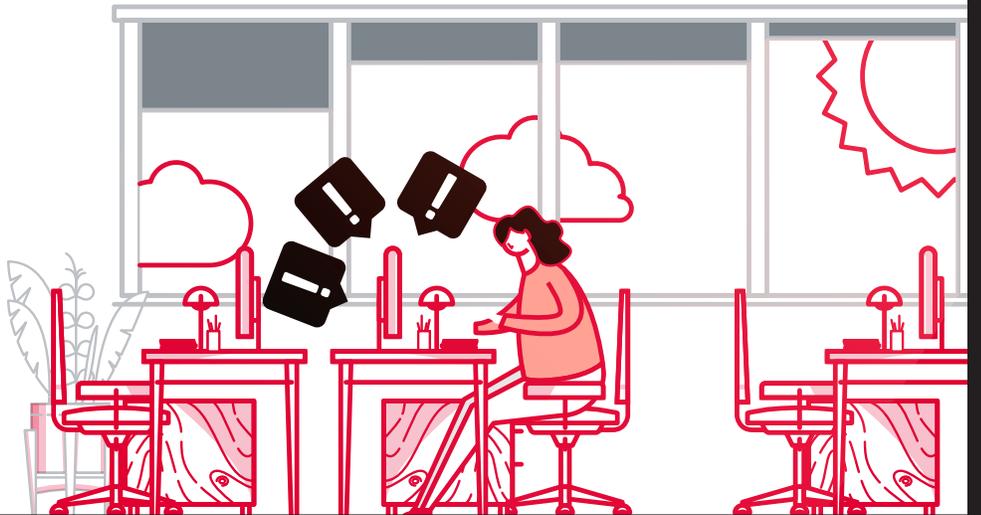


NEWMARK KNIGHT FRANK

Workplace Strategy
& Human Experience

WELLBEING IN THE HUMAN ECONOMY





Wellbeing in the Human Economy



In 1992, a fast food company was forced to pay out \$2.7 million in punitive damages due to third-degree burns suffered by a customer who purchased their coffee that spilled on her lap. Although many thought that the damages awarded by the Court were excessive, the Court fashioned the damages to penalize the fast food chain for roughly one day of coffee sales across the company. The intent was for the penalty to be punitive enough to get the company to change the way that the chain served their coffee.

What courts have realized is that in needed situations, a financial penalty can influence a company to change their ways. In the above case, the company had over 700 claims about their policy regarding the temperature of the coffee (kept at 180-190 degrees) over 10 years and had not bothered to change its coffee-making process. Fortunately, the size of the above judgment got the company's attention and the policy regarding the temperature of their coffee was modified to a lower, safer temperature.

Companies operate based on financial incentives, and negative financial consequences tend to be a compelling motivator for most companies. What may surprise many companies is that they are paying far greater fees every year in the sums of millions and even billions for their employee's wellbeing and are not nearly as motivated to change as the above case was.

WHY IS WELLBEING SO IMPORTANT TO THE BOTTOM LINE? THAT'S THE TRILLION DOLLAR QUESTION.

According to RAND Corporation, in the U.S. alone, companies are spending over a trillion dollars annually

(that's a 1 with 12 zeros behind it: \$1,000,000,000,000) on health related illnesses. The more shocking part is that 75% of these are preventable chronic conditions. When you add it all up that's over 50% of a company's profits going down the tube.

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The World Economic Forum and Harvard School of Public Health estimate that major chronic diseases and mental illness will result in a projected cumulative \$47 trillion in lost economic output globally from 2011-2030. Chronic disease affects all employees because it reduces the quantity and quality of human capital. Mental health, which is typically left off lists of chronic diseases, will account for \$16 trillion – a third of the overall \$47 trillion anticipated costs.

The top offenders are stress disorder, anxiety, high blood pressure, high cholesterol, diabetes, and heart disease. While 60% of Americans live with one chronic disease, 42% have at least two. Many corporations were surprised to see that the highest expense in their insurance plans were from prescription drugs.

The costs of chronic disease include not only direct healthcare expenses, but also the indirect and sometimes hidden costs of productivity due to absenteeism and presenteeism (when a person at work is unable to perform at full capacity due to illness,



stress, or other issues). Productivity losses due to poor health and presenteeism are even higher than the direct costs of actual medical treatment (averaging \$2.30 in lost productivity for every \$1 in medical costs). Forbes posted an article on the cost of presenteeism and surmised it to be approximately \$150 billion per year in the US. These numbers alone define the clear need to embrace a change in a positive direction towards enhancing employee wellbeing.

WE DECIDED TO TAKE A CLOSER LOOK.

Newmark Knight Frank's Downtown LA team including Josef Farrar, David Kluth, Lynn Kious, Aliya Coher, and Mai Hu were inspired to host an intimate gathering at their office. The guest list included a blend of representatives from the following industries: gaming, media-tech, legal, higher education, finance, entertainment, technology, and design. The fire side chat was led by Lori Tierney of Tierney Management and Regan Donoghue with Newmark's Global Strategy team.

We set forth to engage the group in an open discussion on the challenges clients face in the workplace and what the real cost of wellness means to their bottom line. With such a vast array of attendees from various industries the expectation was to hear a widespread list

of issues but what we did not expect was for them to share in one common challenge... employee attraction and how creating a space that encourages wellness plays a critical role.

The overall wellbeing of employees remains the central theme to what sets a desirable company apart from the others. Wellness is no longer a perk and like food programs in the tech sector quickly becoming imperative to attracting top talent.

The HR executives in attendance shared that they are beginning to look at new avenues for recruitment and how they can use their space as a tool in the process. Considering your environment is the first thing a prospect experiences it's important that it communicates a culture that supports the wellbeing of employees.

Once you get the employees in, it's a whole new challenge to keep them engaged, productive, and healthy. Our panel agreed that some of their biggest costs come from an environment and experience that does not support the employees overall wellness which results in more absences, disengagement, and chronic issues.





WHAT'S CAUSING ALL OF THESE ISSUES?

Key influencers on this epidemic arose from urbanization and increased mobility. While it originally brought people into closer physical proximity, alienation and loneliness quickly followed. Technologies meant to create efficiency and convenience also keep us tethered to our digital devices and leave us unable to “unplug” from work and obligations. This puts employees at an even greater risk of depression, stress, and physical ailments that come from long hours of working in poor conditions. Companies are finding that the traditional set up in their environment is not supporting healthy movement for their employees which can lead to cardiovascular issues.

The Global Wellness Institute reported that in the span of one's life the average person will spend at least 90,000 hours working. That's a long time to spend working if your environment is unhealthy or the culture is hostile leading to chronic illnesses like stress and depression. There is also a large demand with the rise of technology and artificial intelligence for work to be more adaptable, fluid, and constantly evolving.

We've entered an era where the human experience reigns supreme. It's no longer viewed as strategic to create an environment that is centered on cutting cost and densification of space. We have evolved from the Knowledge Worker Economy to the Human Economy. Employees will be expected to bring a new level of skills to the table. In today's economy, simply knowing all of the information is no longer relevant thanks to AI.

THE HUMAN ECONOMY:

Harvard Business Review stated that in the industrial age employees were hired for their brawn, in the knowledge worker age their brains, and now in the human economy they are hired for their hearts.



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- HARVARD BUSINESS REVIEW

As we are becoming more connected in our work with machines and we humans need to add value by complementing and harnessing technologies through creativity, innovation, empathy, and adaptability.

The expectation is for employees to bring their innovative ideas, passion, and humanity to the table. The ability for an organization to use these strengths to their advantage will help them rise above their competition. In order to achieve these results we need to be in a good mental, emotional, and physical state of wellness to bring these qualities to work every day.



In order to survive and hopefully thrive in the future, organizations need to harness the potential of wellness by aligning work environments and cultures that fit the needs of the employees.

WHAT CAN BE DONE?

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wellness to the physical workplace. The investments have proven to yield great returns. According to a 2010 review by a Harvard economist stated that wellness programs returned \$3 in healthcare savings and \$3 in reduced absenteeism cost for every dollar invested. The WELL Certification has proven to be an effective guide for creating a healthy foundation. The 7 pillars of wellness according to the WELL Certification Air,

Light, Water, Nourishment, Fitness, Mind, and Comfort help build an essential foundation for the wellbeing of employees. Without these basic human needs being met, humans will never experience a level of wellness that allows them to thrive let alone innovative and create.

It starts with taking small and effective steps to help build the healthy foundation so people are not starting the day at a deficit. A great first step might start with stepping away from the screens, taking a break outside with a colleague, & enjoy a warm (not scalding hot) cup of coffee. This is not only good for the employees but also great for the bottom line.



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We are Here for all Your Workplace Needs



Think Global Workplace Strategy might be able to help or want to know more about us and our service offerings? For all Workplace inquiries, please contact your West Coast Team:

REGAN DONOGHUE, WELL AP

Regional Workplace Manager
SouthWest Coast Lead

e. REGAN.DONOGHUE@NGKF.COM

t. (949) 344-1274

