

Findings: Impact of a Sustained Health Promoting Workplace on Stock Price Performance and Beta; A Singapore Case

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Abstract : The main objective and focus of this study are to establish the significance of a sustained health promoting workplace on stock and portfolio returns focusing on companies listed on the Singapore stock exchange, using a two-factor model comprising of the single factor CAPM and a 'health promoting workplace' factor. The 'health promoting workplace' factor represents the excess returns derived between two portfolios of component stocks that, when combined, would represent a top tier stock market index in Singapore, namely the STI index. The first portfolio represents companies that are independently assessed by the Singapore's Health Award, SHA, to have a sustained and comprehensive health promoting workplace (SHA-STI portfolio) and the second portfolio represents companies that had not been independently assessed (Non-SHA STI portfolio). Since 2001, many companies in Singapore have voluntarily participated in the bi-annual Singapore HEALTH Award initiated by the Health Promotion Board of Singapore (HPB). The Singapore HEALTH Award (SHA), is an industry-wide award and assessment process. SHA assesses and recognizes employers in Singapore for implementing a comprehensive and sustainable health promotion programme at their workplaces. When using a ten year holding period instead of a one year holding period, excess returns in the SHA-STI portfolio over Non-SHA STI portfolio were consistently being observed over all test periods, during 2001 to 2013. In addition, when applied to the SHA-STI portfolio, results from the Two Factor Model consistently revealed higher explanatory powers across all test periods for the portfolio as well as all the individual component stocks in SHA-STI portfolio, than the single factor CAPM model. However, with respect to attaining higher level of achievement in the Singapore Health Award, this study did not show any incentive for selecting listed companies that have achieved a higher level of award. Results from this study would give further insights to investors and fund managers alike who intend to consider health promoting workplace as a risk factor in their stock or portfolio selection process, in particular for investors who have a preference for STI's component stocks and with a longer investment horizon. Key micro factors like management abilities, business development strategies and production capabilities that meet the needs of market would create the demand for a company's product(s) or service(s) and consequently contribute to its top line and profitability. Thereafter, the existence of a sustainable health promoting workplace would be a key catalytic factor in sustaining a productive workforce needed to support the continued success of a profitable business.

Keywords : asset pricing model, company's performance, stock returns, financial risk factor, sustained health promoting workplace

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