

## Building a Business Case for a Healthy Workplace

By Dan Corbett

My experience at the National Quality Institute has taught me that the pursuit of excellence is a healthy thing to do, healthy for employees, healthy for customers and for stakeholders. The pursuit of a healthy workplace is very much about achieving excellence, and with excellence comes high performance. I have been in many healthy organizations in the last few years and have seen the difference that comes from a strategic focus on a healthy workplace. Many organizations in Canada already know that the case for a healthy workplace is obvious. However a quick reality check shows that what many believe is obvious, is not enough to make the case in this 'prove it' world.

The hard reality is that the incidence and variety of workplace health issues, that is the non-traditional areas of occupational health and safety, are increasing, and new issues are emerging. The lack of a comprehensive workplace health strategy in organizations to deal with these issues on a preventative basis is causing significant negative impact on productivity and on the public health care system.

Most organizations have made workplace improvements in the traditional areas of occupational health and safety. The statistical reviews show that improvements have been made in the injury rate of employees, in the physical environment such that injury rates in the musculo-skeletal category have decreased and in the ergonomic environment of work. Such improvements did not come overnight. It took a concerted approach from enlightened employers, from the labour movement through negotiated agreements and from government through legislation and public policy. However in recent years various studies and research projects have developed a very compelling set of statistics about the impact that employee health issues are having on the workplace and the health of the organization.

What is needed now in Canada is a comprehensive approach by organizations to workplace wellness and employee well-being that extends beyond the traditional approach to occupational health and safety. Some organizations have begun to strategically address workplace health issues. However, we need many more organizations to reach out and embrace a comprehensive approach to a healthy workplace. One reason why more organizations are not doing this is that the case does not seem as obvious for decision-makers. Therefore we need to focus on the reality of "making the business case" for a healthy workplace. My reality check is that the understanding of the importance of a healthy workplace is where quality was ten years ago.

Ten years ago many organizational leaders had to be convinced that investing in quality was a good business decision that would produce a significant return on investment. In 1996 the National Quality Institute did a study with the University of Waterloo that provided a clear reason why a focus on quality is a great investment. The study showed that the cost of quality (that is, non-value-added work from poor quality systems) is about 32.7% of payroll costs in small to medium sized service companies.

The key issue back then was getting organizations to move from a focus on quality, that was correction-based, to a focus that was strategic and prevention. Our experience was that such change required leadership commitment, as the real issue was to bring cultural change to how an organization goes about creating real and sustainable value for the customer. Today, in this globally competitive world, most organizational leaders understand the value of having a quality system. We now have the same issue with healthy workplace, as real change will only come from leadership commitment. That commitment requires understanding the impact that employee satisfaction has on the organizational strategies, and implementing healthy workplace policies and practices from a strategic context.

There is a growing body of evidence that organizations that have prepared for the future, through investing in organizational excellence, build shareholder and stakeholder value through sustainable performance. Leaders in these organizations see that a commitment to organizational excellence as an investment in the future rather than as a cost. The case for a healthy workplace must be positioned within the context of achieving Excellence and as an investment in not just the health of employees but in the long-term health of the organization.

At NQI we see that the need to have a strategic and comprehensive approach to a healthy workplace will emerge in the next few years as being in the mainstream of how organizations think about their mandate and their strategic future. While more and more organizations are moving forward in this area, the reality is that most organizations in Canada have not moved beyond the historical approach to occupational health and safety, with specific programs that are set up mostly as a corrective approach rather than preventive.

Many of you know the statistics in terms of the number of employers who have a comprehensive workplace program. There are many articles and stories in various media with regard to the increasing costs of employee health care. The numbers point out that what we believe to be the obvious case for a healthy workplace is not the case in the working landscape in this country.

Here are a few sobering statistics:

A new study by the Canadian Policy Research Network shows that high stress levels are a significant factor in absenteeism. In the study, employees who reported high work-life conflict missed an average of 13.2 days versus 5.9 days for those with low conflict.

A recent Statistics Canada report on Average Days Lost per Worker indicates that health care and social assistance workers missed on average 12.5 days at work where the average for all industries is 8.0 days.

Another recent study, sponsored by Health Canada, involving 31,000 people and conducted by Linda Duxbury of Carleton University and Chris Higgins from the University of Western Ontario, indicates that when it comes to the issue of work-life balance, work is the winner. A report on this study in the *Globe and Mail* says that job stress is up from 10 years ago, job satisfaction is down, workers are less pleased with their life in general and more likely to say they are depressed.

Such studies, and there are many more, show a negative statistical trending about the state of workplace health in Canada. The upside to this media coverage and to the various studies is that there is movement to bring change to workplace wellness and health issues. Employers are beginning to take notice of the need for a comprehensive approach to wellness in the workplace. Studies indicate that about 40% of workplaces have a wellness program. A 1999 study by Aventis Pharma reported that about 38% of employees surveyed reported that they have access to a wellness program through their employer. A recent Angus Reid poll of Canadian employees confirms approximately the same percentage of employees having access to a wellness program. The other interesting observation is that those employers who do have a comprehensive approach to healthy workplace are willing to share their experience, and the evidence that such an approach has in terms of results on a cost/benefit basis. What we need is to have more employers to start the journey with the same enlightened approach.

One caveat I will mention here is that many employers in Canada are in what is called the SME sector, 'small to medium sized employers,' and therefore financial resources are often seen to be the limiting factor for implementing a comprehensive healthy workplace. That said, though, the business case for a healthy workplace needs to be better articulated, as once the many small- to medium-sized employers in Canada see the cost/benefits, innovative programs and practices will come.

In making the case I want to take two tracks, one being the strategic drivers that provide leaders with the macro reason for investing in a healthy workplace and the other being the focused operational cost/benefit reason for moving forward with such an approach.

### Strategic Drivers

Firstly, the strategic drivers focus on why leaders need to commit organizational resources for the future positioning of their organization. At the National Quality Institute, we believe that there needs to be a fundamental shift in thinking about how organizations, in this new 21<sup>st</sup>-century economy, prosper and grow through creating more value for customers, citizens, clients and stakeholders. In the private sector, enlightened leaders know it is no longer enough to just focus on maximizing shareholder return, to beat the quarterly investment analysts and to obey the law. In the public sector, enlightened leaders know that the status quo will not do and that there is a need to have a clear framework to demonstrate value for public funding.

The common thread for leaders in both sectors of our economy is to realize the need to have a work culture that recognizes the whole person, as it is through the professionalism and competency of the people who do the work that strategic growth happens.

Here are four key strategic factors that we believe are critical to making the case for a having a focus on Excellence through a healthy workplace:

- Being an employer of choice: recruiting the best people will require advanced leadership thinking about the working environment. If an organization attracts high-caliber people and retains good people, then they enhance the ability for growth. In

developing this factor there will be a need to describe the "value" to the organization that comes from being an employer of choice.

- Corporate social responsibility: there are increasing expectations on the role of business and how it fulfills its responsibility to society. Investors are increasingly focusing on how organizations meet this expectation. There is a need to describe the "value" to an organization that is recognized as being a good investment and the implications in terms of stock price and shareholder value. A healthy workplace should be viewed as a critical part of developing this strategy.

- Creating value is a powerful strategic driver for senior management; having a healthy workplace with motivated employees is a critical component in the value chain in a knowledge-based organization. That's how excellent organizations go about creating value for customers, clients, citizens and stakeholders. A working culture that tolerates poor employee health conditions creates a negative view of the overall organizational attitude.

- The new economy is about linkage and transparency; what happens in one part of an organization impacts on the broader nature of the organization in terms of the political, social, financial and operational. So a case of potential liability impacts on shareholder confidence and the reputation of senior leaders. Negative trends in employee health and rising health costs have such a multiple impact. For those individuals mandated with ensuring sustainability of an organization, safety and health performance is a very clear measure in the assessment process.

These four drivers are what we see as the key strategic reasons that need to be included in building a case for a healthy workplace.

#### Financial Cost/ Benefit Approach

There are a number of studies that are often referenced with regard to financial benefits from an approach to a healthy workplace. There is the often-quoted Sears study on the impact that employee satisfaction has on customer satisfaction. Similarly referenced is the 1990 Canada Life study that noted an increase in productivity in an experimental group after starting an employee fitness program. In the United States, of 24 studies published in peer-reviewed journals from 1991-1993, all but one evidenced positive health outcomes. Such studies in the USA demonstrate a compelling business case for organizations to adopt a comprehensive approach to healthy workplace, such that the conclusion is that a sizeable portion of the billions of dollars currently spent by employers on health related costs is preventable. A 1996 review of 10 major studies reports cost/benefit ratios ranging from 1:2.05 to 1:5.96

So what about Canada?

We are beginning to see the same trending data in the work that we have done to date on the cost/benefit analysis to organizations from taking a comprehensive approach to workplace health. I want to share with you the early evidence that we are developing and the work that we have done at NQI to help organizations develop a business case for healthy workplace. This work is being lead by Geri McKeown, an NQI Associate, and

builds on the work of Dr. Martin Shain, Senior Scientist with the Centre for Addiction and Mental Health in Toronto .

Martin Shain's approach is that having healthy employees is key to achieving excellence, as seventy percent of ill health is preventable, and good levels of health can be maintained when the workplace environment provides support and does no harm. Martin Shain's publication, *Investing in Comprehensive Workplace Health Promotion*, takes the position that key workplace environment factors in job stress and satisfaction have a direct influence on health and productivity.

The Business and Economic Roundtable on Addiction and Mental Health estimates that the cost in Canada--most of which (2/3) is productivity costs, wage replacements, disability pay-outs and workplace absenteeism--is around \$30 billion a year. The Roundtable is attempting to focus on this issue through developing a Charter that will be distributed to employers across Canada to raise awareness of this issue.

What we have done at NQI is to build the case for such an approach and to develop a template that organizations can use to demonstrate the business impact. We already have evidence from a number of organizations, particularly those that have received Canada Awards for Excellence, on the benefits that have come from taking such a comprehensive approach.

Here is a brief summary of the data that we are working with from the Canada Awards for Excellence, Healthy Workplace recipients:

Amex: Canadian Regional Operating Centre in Markham, Ontario

- Negative trend in attrition rates
- significantly better than the average for call centres

MDS Nordion, Kanata, Ontario

- Employee turnover rate 6%; industry norm is higher than 10%
- Annual sick days is 4 days per employee; Canadian average 8 days

Telus Corporate Health Services, Burnaby, British Columbia

- Savings of \$3.00 per employee for every \$1.00 spent on program
- Negative trends in absenteeism

Celestica, Toronto, Ontario

- Number and severity of accidents consistently below industrial norm
- Positive trend in the level of employee satisfaction

DOFASCO, Hamilton, Ontario

- Dofasco Inc. has moved beyond traditional occupational health and safety to a focus that includes promotion of a wide range of healthy lifestyle practices. As such the company believes that the reduction in WSIB payments and decline in lost work time is due in part to this more comprehensive focus.

NCR Canada

- NCR Canada has a very comprehensive approach to healthy workplace, and has used this approach to address the needs of the many "virtual" employees that now work from a home base; NCR Canada also has significantly better employee health statistics than their industry comparators.

A recent supplement in the January 2002 issue of the *National Post Business Magazine* focused on the issue of Wellness At Work. The supplement featured how organizations can develop a healthy workplace through a focused approach to implementing the Canadian Healthy Workplace criteria which the NQI developed in partnership with Health Canada and with participation from such organizations as the Industrial Accident and Prevention Association. This national criterion and the recently developed Healthy Workplace Progressive Excellence Program provides a step by step approach for organizations that wish to pursue the excellence journey.

I believe we can make a convincing case that the journey is worthwhile and necessary if Canada is to continue to be one of the best places in the world to live and to work. We need more enlightened leaders to speak to the issue.

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