The 2006 Business and Economic Plan for Mental Health and Productivity

PART I

BUILDING PRODUCTIVE CAPACITY IN A BRAIN-BASED ECONOMY

"Of all the problems presented to me which reflects the greatest public concern is mental health." – Jurist Emmett Hall, on the future of health care in Canada 40 years ago.

Highlights

A brain-based economy is an economy that:

- Puts a premium on innovation. Most of the new jobs will call less for manual skills and more for cerebral skills, cognitive capacity and sensory health.
- Achieves productivity gains not through the blind efficiencies or speed of machines but by people being innovative, analytical, resilient, team-oriented and dedicated to customer service.
- Defines the competitive edge of companies by differences that cannot easily be replicated. Specifically, the skills and productive capacity of their people.
- Demands creative "human thought content" for products and services as a condition for marketplace success, replaces mass production with mass customization, puts more microchips than sparkplugs into modern cars.
- Re-shapes the skills profile of so-called "old economy" industries like steel manufacturing. Dofasco CEO Don Pether says his company is going from "backs to minds" as source of output and skills.
- Re-defines workplace work hazards. Xerox (US) found their employees living with "constant interruptions, not enough time to get their work done and a sense of crisis even getting routine things done" – mental distress.
- Re-scripts the attitude of managers toward the time of workers. At Xerox Corporation, managers were re-trained and re-tuned to the time constraints of their direct reports to relieve the workplace of stress impediments.

In a brain-based economy:

- Investors are more likely to buy into companies that are able to attract and retain good people and top talent. This calls for healthier workplaces, an intelligent, compassionate, informed response to employee health concerns.

- The surest way to profits is treating employees as assets, the premise for this Plan's concept of "human capitalization."

- There are measurable returns on investments in occupational health services for employees with mental distress and disorders and testimony from several Fortune 500 companies named in this Plan says why:

    1. Employee attitudes and well-being are linked to financial results.
    2. Re-shaping corporate culture is as important as monitoring $ results.
    3. Best-run firms promote emotional ties and well-being.
    4. Compelling place to invest is a compelling place to work.
    5. Employees who feel they count predict financial results.

- The building blocks of productive capacity in a brain-based economy are not the building blocks of factories and offices. They are different and specific.

The Wilson Principle

Honourable Michael Wilson, Roundtable Senior Chairman articulates the core principle of this Business and Economic Plan for Mental Health and Productivity.

"We have seen tremendous progress in preventing physical injuries and illnesses at work. The safety records of companies I am associated with are a source of great pride to them.

"It would be a shame to un-do 30 years of great progress in physical health and safety as a result of massive losses of productive capacity due to untreated mental illness in the workplace."

British Petroleum Health Savings

At British Petroleum, efforts are underway to twin employee health with well-established plant safety. The Wilson Principle in action. BP's vice-president for health, Dr. Chris Roythorne, says why:

"At the company's Texas plant, proactive case management programs encouraged employees to seek medical attention when they needed it. The result: $5 million in savings due to reduced absenteeism."

Dr. Roythorne says in a media interview that the company may *"be losing $14,000 per employee per year in health-related productivity losses and if you reduced that by even $1,000 per year, the company would save $10 million per year."*

MINDSETS: Mental Health – The Ultimate Productivity Weapon (1998)

Roundtable CEO Bill Wilkerson and Dr. Edgardo Perez, CEO and Chief of Staff of the Homewood Health Centre, co-authored the first comprehensive examination of the business and economic effects of mental health in a 350-page book lauded by the American Psychiatric Association and World Federation for Mental Health.

This set the stage for the Roundtable's start-up and the advent of mental health in the workplace as a Canadian economic, health and social issue.

Business Plan to Defeat Depression – 2000

On the heels of MINDSETS, the Roundtable introduced a business plan focused on the medical and non-medical aspects of fighting depression in the workforce.

Released in news conferences in Toronto, Canada and Geneva, Switzerland, this 12-point initiative attracted substantial interest from many parts of the world which continues today.

Three themes characterized the 2000 plan and remain relevant today:

- One, the importance of CEO leadership in reducing the costs and effects of mental disorders in the workplace.

- Two, the necessity of hard financial targets to stimulate action. Health related costs – as a percentage of pay roll – is one indicator.

- Three, the need to modify and, if necessary, re-vamp workplace practices which are known to create environments where employee health is compromised.

We proposed in 2000 – and repeat now – steps to relieve employees of the pressures driven by an email-only culture of communications. Employers are awakening to this.

"Mindsets Grow Businesses"
Roger Enrico, former CEO, Pepsico

The 2006 Business and Economic Plan link mental health and productivity in workplaces of a brain-based economy. This discourse follows next.

For 12-15 years (at least), we have been witness to mass downsizings in economies around the world. Michael Wilson says "*mass lay-offs have become the first not last alternative to handle downturns.*"

In Canada, as productivity lagged the number of hours that employees worked, even profitable companies cut jobs to dance the haunting rhythm of shareholder value. We entered an investor-driven economy.

It appears, however, that downsizings on a large scale proved to be more fool's gold than money in the bank – to wit:

- The compound annual growth rate in the market value of companies that achieved higher than average (bottom-line) growth but lower revenue growth compared to their industry average was half that of competitors who had both higher profits and higher revenues. (William Mercer and Company)

This suggests top-to-bottom line growth is healthier for shareholders than cuts-to-bottom-line growth.

Fortune Magazine: "Without doubt it is easier to get a dollar of profit by cutting costs than by raising revenues. But investors, the final arbiters of value, know that these two dollars are very unlike in terms of the future they presage."

A survey by the American Management Association finds that fewer than half of the companies that downsized since 1990 – fewer than half – went on to report higher operating profits in the years following the lay-off's and even fewer saw improved productivity.

Research by the U.S. consulting firm, Monitor, found that nine out of ten firms that out-performed their industry over a 10-year period had stable structures with no more than one reorganization and no change in the CEO.

Human Indicators of Corporate Success

The milestone study by Sears Roebuck says this: "A compelling place to work is a compelling place to shop and a compelling place to invest." The study links employee attitudes to customer satisfaction and ultimately financial results.

It shows, in fact, that a five point improvement in employee satisfaction drives a 1.3% improvement in customer satisfaction and nearly .05% in revenue growth. Metrics finally catch up to common sense.

PricewaterhouseCoopers in the U.S. and Europe reports that CEOs now spend as much or more time on "people issues" as financial matters. Half say re-shaping culture and employee behaviour both rank with setting and monitoring financial results.

The best-run firms put an emphasis on best practices which promote emotional ties and well-being. As a result, over 10 years, investing $1,000 in the Fortune 100 Best Run Companies produced a return of $8,000, twice that of companies not on the list.

The Gallup organization surveyed 55,000 workers to match attitudes and financial results and found that four attitudes in particular that, taken together, strongly correlate with higher profits – employees:

1. Feeling they are being given an opportunity to do their best every day.
2. Believing their opinions count.
3. Sensing their company is committed to quality.
4. Seeing a direct connection between their efforts and the company's mission.

Consulting giant Ernst and Young says investors are now more likely to buy stock based on a company's ability to attract and keep talented people. CEOs in a Roundtable survey said promoting mental health is an attribute that will attract good people.

According to a study for the U.S. Commerce Department by the Wharton School and Harvard Business School, "a company's surest way to profits is to treat their employees as assets."

Based on its global experience, General Electric – one of the toughest and most competitive corporations in the world – affirms that it has seen a positive return on its investment in occupational health services for its employees worldwide.

Other major corporations with household names report their findings:

3M Company – with 74,000 employs – introduced a human capital measurement tool that integrates employee health and productivity; the company used this tool to drive down abuse of prescription drugs, adverse work climates, troubled workplace relationships and management practices that undermine the emotional state of employees.

Pepsico employed a balanced scorecard which focused on four specific measures: employee enthusiasm, financial performance, customer experience and consumer perceptions of the company. Pepsico's former CEO Roger Enrico said "mindsets grow businesses."

Studies by **Johnson&Johnson, Chase Manhatten Bank, Motorola, Marriott Hotels and Merck Corporation** says employers that help employees resolve time conflicts attract more qualified people. The study defined a "health-based competitive advantage."

J&J found in 1993 that employees with supportive supervisors and access to support programs in managing work/life conflicts were the most productive.

First Tennessee Bank found 71% of its employees' productivity was negatively influenced by time conflicts and moved to provide support for these employees. The company saw a 6x improvement in productivity which added $1.5M to its bottom line.

Texas Instruments found that individual performance is the result of health and well-being at two levels – mental and physical health. Both were influenced by a sense the company was headed in the right direction.

Fortune Magazine surveyed 200,000 companies and found that 74% of star employees were looking for trust, relationships and job fulfilment.

The Canadian Armed Forces created a national peer support network. This network consists of CAF members who are trained to assist peers one-on-one, and to provide support for families.

Returning to **Xerox Corporation:** the productive workplace of the future will require management groups to attain a greater understanding of what it takes to make people want to come to work.

The question is attitude – that of the organization, its leaders and employees. In its study, Xerox:

1. Saw a direct link between the climate of a hospitable workforce and employee motivation. This, in turn, was traced to customer satisfaction.

2. Found motivation was stimulated by the underlying qualities of the work environment.

Meanwhile:

Telus, the telecommunications giant reports $3M in averted WCB claims as a result of its wellness strategy.

Hewlett Packard recorded “soaring morale” in the U.S. as a result of efforts to reduce “burn-out.”

McDonnell Douglas found that for every dollar invested in employee mental health, the company realized a four-dollar return through improved absenteeism rates, fewer medical claims and sharply reduced turn-over.

Honeywell reported $2.80 for every dollar spent on providing its employees with information on chronic health problems.

First National Bank of Chicago – now Bank One **–** found depression rates up 20% in the 90s and met the issue head-on through education, manager training and early detection. The result: 32% drop in mental health-related insurance claims.

Champion, the battery company, enacted policies recognizing the impact of mental health problems and, among other things, introduced multi-lingual education materials.

Canada Post introduced measures to compensate its employees for exhibiting the right behaviours – and this goes beyond cost savings or customer service improvements. Profitability improved, customers saw the difference.

Dofasco, the steel maker, moved from what its president calls a “strong back” to a “strong mind” model, the intellectual side of employee capacity. Success is based on the innovation of employees. Without strong minds, we aren’t going to be successful.

The CEO of a small chain of supermarkets in **Mexico** put a label on every meat package saying “Depression, do you want to know about it? Ask the cashier for information.” The cashier gave customers a small brochure and a phone number.

The Guts of a Successful Company

Economists have assumed that people focus solely on outcomes and according to the Harvard Business Review, “that assumption has migrated into much of management theory and practice.”

As such, it has become “embedded in the tools that managers use traditionally to control and motivate employees all the way from incentive systems to organizational structure.”

This is the “bottom line” syndrome (to use a phrase) – the source of “get to the point” angst – which compresses “listening” to a bare minimum.

People care about outcomes and process and it is in that context that fairness – a sense of fairness – materializes in the workplace – to wit:

- Employees want a process through which they have the opportunity to express their point of view, to know that what is happening in the company is intelligible, fair and reliable.

- Managers who believe the rules of the workplace are more likely to trust their employer.

- When fair process is present, managers and employees alike tend to hoard ideas and drag their feet.

Three principles guide fairness to trust:

Engagement: involving individuals in decisions and allowing them to debate the merits and assumptions behind those decisions.

Explanation: this means making sure everyone is given a chance to understand why the decision was taken, its necessity and implications.

Clarity: employees want to know precisely what is expected of them and to know upfront how they will be judged, and the goals they will be expected to support.

Companies Tuning-In

Pepsico surveyed its workers to determine their feelings about managerial style and work environment and, in doing so, discovered a correlation between job satisfaction and accident rates.

At **Boeing**, researchers found that employees who said they "hardly ever" liked their job, were 2.5X more likely to report back problems.

Texas Instruments introduced a team to promote health excellence in its 43,000 person workforce.

Employees as Assets

According to a study for the U.S. Department of Labor conducted by the Harvard Business School and Wharton School of Business, "a company's surest way to profits is to treat their employees as assets."

A survey by the American Management Association finds that fewer than half the organizations that downsized since 1990 went on to report higher operating profits in the years following the lay-offs and even fewer saw improved productivity.

One in every five employees who lost their job during the decades of downsizing was line supervisors – the synapses within the company's institutional brain. Excessive firings and downsizing depleted human capital.

Current depressants on productivity stem in large part from a lack of critical mid-level leadership or effective coordination of efforts across companies.

There is insufficient evidence that executives recognize or promote the value of knowledge and experience among middle managers – until after they leave. As a result, these ex-employees often return as consultants or sub-contractors.

Value: A Big Word

One way to create value is to manage financial capital properly using an equation of net operating profit after tax minus the cost of capital.

In the economy of mental performance, this is incomplete. A measure to capture the return on investment in human capital is called for. Human capital may be more important than financial capital in sustaining shareholder value.

Productivity and human health are self-reinforcing in an economy of mental performance.

As we move deeper into the 21st century, inspiration will have to catch up to perspiration – which means:

- Technology by itself will not produce innovation or improved costs; technology no longer differentiates one competitor from another.

- “Embedding a capacity for innovation” means building workplaces where people can be creative, match their skills with their job and consume the real nutrient of a productive workplace: job fulfillment.

This defines the emergence of a brain-based economy where:

- As McKinsey and Company reports – that 85 per cent of all the new jobs coming on stream require cerebral skills.

- As RBC Financial CEO Gordon Nixon says – employers expect their people to be innovative, to think. Mr. Nixon calls this an “economy of mental performance.”

- The productive capacity of employees is found in their brains and where brain functioning is affected by work environments and work experiences.

- As a result of globalization – according to distinguished economist Sylvia Ostry – fostering the productive capacity of the human resources of organizations becomes all-important.

- The World Bank says, human capital is more important than financial capital to economic development in a world of interdependent economies.

- Harvard’s Michael Porter points out that a company will outperform its rivals only if it can establish a difference it can preserve. That difference, says Ontario Power Generation Executive Vice-President John Murphy, is skilled people.

- Productivity gains will be led not by the blind efficiencies or blind speed of machines – these are relevant but replicable tools – but by people being innovative, analytical and dedicated to service.

- Companies who build the most “thought content” into their products will be the most successful. The thought content built by car company employees is to the vehicles that come off their lines is worth more commercially than the metals or plastic which bind its body and frame.

Cognitive Capacity Tested

A brain-based economy is where work hazards put our cognitive capacity and emotional well-being at risk. These are functions of the brain.

Xerox – famous for re-inventing itself – in a seminal 1990s study – found that the reactionary day-to-day nature of its managers created a sense of crisis and disorganization that undermined employee performance.

These ***work hazards*** ranged from constant interruptions and not enough time to get their work done to a general imbalance as to how their work contributed either to their company or their family. The company delivered remedies:

- Managers were made more aware of the time constraints that their direct reports functioned under.
- Parts of the workday were re-scheduled to permit employees to work without interruption.
- Steps were taken to give employees working on special projects freedom from random requests which took them away from their project as deadlines closed-in.

The company found that when managers do not value the time of their direct reports, the workplace becomes harried and less respectful generally. The study teaches us this:

- Good management is more than squeezing more output from fewer hours worked or fewer people working. Good management means sustaining the performance of people and the organization as two-sides of the same coin.

Value-Added Comes From Where?

In this investor economy – this brain-based economy – we need to remind ourselves that it is the *workplace* and the *workforce* which produce value-added in goods and services not investors and stock markets.

Human capital is the stream of output from *workplaces* and *workforces* with market value.

In an economy of mental performance, human capital is formed by the workings of the minds of employees. This kind of economy is where job fulfillment and fairness are as important as a pay cheque – in some ways, anyway.

The Building Blocks of Productive Capacity in a Brain-Based Economy

Ten building blocks of human productive capacity must be in place to achieve acceptable productivity standards in a brain-based economy.

1. Skills properly matched with the job they do.

2. Objectives and expectations well-understood by employees and their boss.

3. Discretion given employees to carry out their jobs.

4. Permission accorded employees to ask for help, inquire about priorities, raise concerns about workload, and clarify ambiguities in their work.

5. Constructive feedback and appropriate recognition of employees as a continuing procedure and value of the company.

6. Training of employees to help them cope with change.

7. Commitments to fostering job fulfilment as part of the employment contract.

8. Corporate values which are lived not just preached and seen that way.

9. Employee understanding of the big picture and their part in it.

10. Policies which put work/life balance high on the priority list.

Postscript

Harvard School of Public Health concluded in 1996 that disability and premature death – not life expectancy – were the principal health issues of the 21st century. Mental illnesses, they found, were the leading cause of disability.

Disability, by definition, is a business issue because it is concentrated in the labour force. As a result, so are mental disorders. Which is, by definition, a business issue.

This takes us to Part II of this Plan – the distribution and demographics of mental illnesses.