

“Healthy Management” to Bring Happiness to Employees & Employers

By Toshiaki KOUNO & Toshifumi KUSHI

With the advent of a super-aging society just around the corner, many people in Japan are wondering how long their conventional social systems will remain sustainable. Debate is in progress on the pension and health care systems and state finances to address this key question. Leaving the question of how to deal with the social systems to other specialists, we would like to present our arguments here from the standpoint of corporate management and behavior of individual companies.



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Impact of Low Birthrate & Longevity – from Viewpoint of Labor Market

The falling birthrate and the aging population can have manifold impacts on individual companies. We single out its impact on human resources, one of the core management resources for a company.

Many Japanese firms, particularly big ones, have traditionally relied on an employment policy based on long-term employment. They have recruited new graduates in block without fixing any specific period in their employment contracts. Mid-career employment was not general, although people taking the option have been increasing in number in recent years. Women used to get married, give birth and quit their jobs to take up homemaking a few years after finding employment. Men could hope to get better pay and higher positions on the basis of seniority. Apart from whether they could end up their career with the presidency, they were assured of sustained employment until age 60.

Many people have seen rational reasons for such an employment

practice. One is that Japanese companies have required employees to have firm-specific abilities to perform their assigned duties. Hardly able to get such skills at external education facilities such as universities, they had to rely solely on in-house, on-the-job training.

This employment practice may be feasible while the population continues growing and companies keep expanding. But it stops functioning once the reverse is the case. When companies seek staff cut-backs, few employees will be willing to acquire firm-specific skills. These will be of no avail when retrenchment requires them to change jobs. The shrinking population and the aging of society tend to make the age distribution distorted. If a company sticks to personnel appointments based on seniority in the absence of younger staff, it will be only creating managers with no subordinates. Corporate management will be doomed under such a personnel policy.

What Can Be Solutions?

Faced with fewer children and growing longevity, companies can no longer uphold their traditional employment practice. If they do, they may in the longer term fail to get the manpower they need. Then what can they do to secure the human resources they need?

They have a couple of options to choose from. First, they can take in people who have so far been outside the labor market, such as stay-at-home moms and older people. Second, they can enhance the quality of workers already in the labor market.

What companies should consider when taking the first option is that they need to devise personnel administration quite different from the one they adopted under the long-term employment practice. For example, they may be unable to expect those who have focused on household chores and child-rearing and those who have devoted themselves to nursing care to work from 9 a.m. to 5 p.m., five days a week. They may have to allow them to work shorter hours after sending their children to school or leaving their elderly parents at care facilities. They may also have to prepare a new working style to allow them to work only three days a week.

Readers not quite familiar with the Japanese labor market might be surprised to learn that such working arrangements are uncom-



mon in Japan. Regrettably, the employment pattern in Japan remains largely polarized between regular and irregular employment. In the former style, people are employed to work eight hours daily, five days per week under contracts that have no fixed period. In the other, people are dealt with as irregular employees based on contracts that specify their employment period. Their job security is much lower.

This polarization stems in part from legal provisions. However, there is no denying that it also comes from the widespread trend in Japanese society to turn away people wishing to work in an intermediary employment style simply because they are harder to deal with. In the future, Japanese companies need to apply versatile personnel policies to accept those people, notably full-time housewives, older people, people with health problems and the disabled.

As to the second option, let us consider who should improve the quality of workers and how.

Spending aimed to enhance the quality of labor is called investment in human resources. Traditionally, education has been considered a typical example of such investment. On the other hand, health provides the basis on which people can work and consume. In a broader sense, therefore, promotion of health and health care can be regarded as investment in human resources.

Health can often be taken as a personal affair. It surely belongs to a large extent to individual responsibilities. However, mental health and contagious diseases are largely affected by the workplace and a regional environment. Much of the regional environment cannot be changed with individual efforts alone. It is the matter that must be addressed wholly by the companies and regional society involved.

In today's Japan, problems related to mental health are drawing much attention. According to a new survey by the Ministry of Education, Culture, Sports, Science and Technology, those on sick leave account for roughly 1% of all teachers at publicly run schools across the country, about two-thirds of them suffering from mental disorders. Money paid to those teachers adds up to no less than billions of yen (tens of millions of dollars) per year. This means that the productivity of those schools is reduced at least by that amount.

It should be noted, however, that the impact health conditions may

have on productivity does not necessarily come from absence or leave. Those who report to work without taking leave may be less efficient due to lower concentration stemming from their poor physical condition. Paul Hemp calls it "presenteeism" in his article in the October 2004 edition of the *Harvard Business Review*. "Presenteeism – on-the-job productivity loss that's illness-related – may be far more expensive than other health-related costs," according to Hemp.

PHOTO 1



PHOTO 2



"Healthy Management to Bring Employees and Employers Happiness," Somo Japan Research Institute

From Health Promotion to “Healthy Management”

When we say that companies should deal harder with the health of their employees, many readers may have corporate social responsibility (CSR) in their mind. Health of employees is indeed incorporated in ISO 26000 and other CSR standards. Promoting their health will surely lead to a company's better productivity through reduction of both absenteeism and presenteeism. In fact, various polls indicate that corporate initiatives for fitness promotion are highly effective not only in reducing the number of employees going to hospital or those suffering from illness but also upgrading their motivation and in-house communication.

Companies should address the matter not simply as part of their CSR and welfare program but as part of their program to enhance their corporate value. We have decided to call such initiatives “healthy management.”

Readers may take management as “the act of running and controlling a business or similar organization” as defined in the Oxford Advanced Learner's Dictionary. However, the effect of “healthy management” is not limited to improving a company's operational efficiency. Just imagine what could happen when a company that has employed healthy people ends up belaboring “unhealthy management” in which lax personnel administration makes them unhealthy and forces them to quit eventually. That company may still be able to retain healthy employees but, in society as a whole, unhealthy workers will gradually increase in number. Conversely, companies that work to maintain and improve the fitness of their employees by upholding “healthy management” can contribute to enhancing the health of the entire nation and adding to the happiness of society.

In corporate management, sustainability will be increasingly questioned as is the case with NPOs and governments. Days are long gone when profitability was the norm of corporate sustainability. Today, sustainability is argued in terms of global environmental problems. But before long health will be argued in terms of sustainability of human resources.

Examples of “Healthy Management”

Are there any companies that actually practice “healthy management”? Some people may think such a management style is too Japanese and old-fashioned, hardly practicable in Europe and the United States. However, some companies not only in Japan but in the United States are known to be actually practicing “healthy management.”

Let us refer here to our book *“Healthy Management to Bring Employees and Employers Happiness”* (co-authored in Japanese in October 2010 by S. Tanaka, K. Kawabuchi and T. Kouno) to introduce a case in which the market mechanism has given birth to moves to promote the health of employees.

The book features Pitney Bowes, a Stamford, Connecticut-based manufacturer/provider of mail-related document management sys-

PHOTO 3

Photo: Sompo Japan Research Institute



tems, services and solutions that employs 36,000 people. Guided by the philosophy that “healthy employees are productive,” this company has for years been aggressive about keeping its staff fit. As specific aims, the company cites (a) increasing the number of healthy and productive staff, (b) improving corporate appeal for the purpose of staff recruitment and (c) upgrading brand power. The company also identifies promotion of staff health as part of its CSR program.

We think this idea is virtually identical with the “healthy management” we advocate. The approach taken by Pitney Bowes covers all aspects of the workplace environment. Here are some specific examples. At the entrance of a company cafeteria stands a salad bar no one can overlook (Photo 1). Sandwiches are served with fresh vegetables in place of potato chips. The company building has an in-house fitness center fully equipped with various training machines (Photo 2&3). E-learning courses called “healthy college” are provided in which graduates are awarded gift cards. Placards put up here and there in the building urge the staff to try to lead a healthy life.

These initiatives are run in a management cycle of assessment and improvement – assessed through routine staff health checks and improved on the basis of that assessment. We hold that one of the main points that characterize US companies is the greater priority they put on the assessment of such initiatives. Until some time ago, attempts by US firms to keep their employees healthy were primarily aimed at reducing health care costs under the employer-based healthcare system. Lately, however, reports reaching Japan say companies like Pitney Bowes that practice health promotion for the purpose of enhancing the productivity and employee satisfaction have been growing in number. **J.S**

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