



Families and Work Institute

“Improving Your Bottom Line While You Improve Pay, Benefits and Access to Flexibility for All”

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Profit at Every Level: Creating Value by Investing in Your Workforce



Questions that Matter

We sought to answer fundamental questions:

- First and foremost, we looked at the question C-level executives and other senior managers are asking themselves: Are there additional ways to increase my company's success?
- At the same time, we sought to answer the question raised by all levels of employees: Is there a way for the company and its employees to succeed together?



Study Overview

- Result of six year study on private sector initiatives
- Global in scope, including companies in North America, Europe, Latin America, Asia, and Africa
- Interviews with employees at all levels, from CEOs to line workers
- Companies ranged in size from 27 to 126,000 employees
- Sectors represented ranged from automotive to pharmaceutical, from wholesalers to banking



Addressing the Questions

- In-depth case studies of both publicly traded and privately owned companies
- Companies had chosen to improve working conditions for employees at all levels in a range of ways including:
 - Increased wages
 - Profit-sharing
 - Leave and flexibility
 - Health care
 - Training and advancement opportunities

Supporting Health: Is It Worth It?

- SA Metal in South Africa provided free access to HIV/AIDS treatment for its employees:
 - HIV/AIDS treatment cost less than 25 rand a day (approximately US\$3.50)
 - It cost the company 750 to 1,000 rand a day (approximately US\$105–\$140) when a truck driver and a truck were out of commission for health-related reasons.



How Health Care Pays for Itself

- On-site clinics at American Apparel, SA Metal and ACC India reduced the time taken by employees for external appointments.
- After Autoliv Australia implemented leave and flexibility policies, turnover decreased from 15–20 percent to approximately 3 percent, saving the company money.
- Novo Nordisk had ergonomic machines and exercise breaks that reduced injuries from repetitive strain.

Training At All Levels

- Training opportunities facilitate employee recruitment and retention.
- Novo Nordisk offered training opportunities:
 - 5 percent turnover rate for operators.
 - The average turnover for the pharmaceutical industry at the time was 24.1 percent in China and 15.5 percent in Tianjin.



Career Advancement At All Levels

- Costco set in place career tracks:
 - Promoted from within its own workforce 98 percent of the time.
 - Sixty-eight percent of Costco's warehouse managers started out working with the company as hourly employees.
 - After the first year of employment turnover was less than 6 percent.



Impact of Incentives for Productivity

- Linking wages to performance can provide direct and indirect incentives for greater productivity.
- American Apparel's teamwork system:
 - Workers organized in teams of six to ten sewers.
 - Sewers were paid based on team productivity.
 - Output tripled from 30,000 to 90,000 pieces a day with only a 12 percent increase in workers.
 - Workers' earnings increased by over 50 percent.

Impact of Profit-sharing and Stock Options

- Profit sharing and stock options can increase employees' sense of ownership and investment in the company's performance.
- Dancing Deer put in place a stock-option program:
 - All employees participated.
 - Four-year vesting period.
 - In one year, sales increased by 74 percent.
 - Stock options increased in value by 40 percent.



Engaging Employees at All Levels

- Companies established ways to learn from their lowest-level employees, who often had the most expertise on the ways in which much of the work at the company was done and could be improved.
- Novo Nordisk's c-LEAN process:
 - Employees provided feedback and suggested solutions for problems that arose.
 - c-LEAN resulted in an estimated 50 percent increase in efficiency rates.

Examples of Returns on Employee Engagement

- Isola restructured production into a teamwork system:
 - Six or seven workers functioned as a group, with one team leader who reported directly to the plant manager.
 - Increased employees' sense of responsibility and mutual pressure by team members.
 - Led to reductions in absenteeism rates of 28 percent for the summer and 39 percent for the winter.



Examples of Returns on Employee Ideas

- Great Little Box's Idea Recognition Program:
 - Designed to encourage employees to come up with ways in which the company could save money.
 - The firm offered financial rewards for ideas that were implemented, with payouts as high as CAN\$2,500.
 - Managers reported cost savings of up to CAN\$25,000 from employee suggestions.

Investing in the Community: Infrastructure and Services

- ACC India built infrastructure:
 - Needed communities to be willing to sell their land for limestone extraction and cement production.
 - These rural locations were poor and not yet developed.
 - The company built the physical infrastructure they needed, providing roads, water, and electricity.
 - ACC went beyond providing basic necessities and also invested in facilities for the communities, such as schools and clinics.
 - As a result, the company was much more likely to be welcomed into new communities.

Investing in the Community: Creating Good Jobs

- Companies have a profound impact on, and are deeply affected by, the communities in which they operate.
- Costco provided economic opportunities:
 - Jobs with decent wages, benefits, and advancement opportunities that were increasingly unavailable to workers with only a high school education.
 - Valued by the surrounding communities because it provided economic opportunities.

A Blueprint for Change

Five ways in which corporate leaders need to adapt their strategic approaches if all levels of a company are to profit together:

1. Understand who performs the majority of the essential work at their firms.
2. Realize that their firms' success depends on the quality of the work of those who carry out the majority of the labor.
3. Recognize that the quality and productivity of employees at the bottom of the ladder, like all parts of their workforce, depend on whether these employees are:
 - Healthy
 - Adequately rested
 - Well prepared to carry out the tasks they are asked to perform
 - Motivated in their work.

A Blueprint for Change (continued)

4. Realize that the line workers are often the ones who know best how to increase the efficiency of operations, either by increasing the quality or the pace of production.
5. Recognize that the same factors will influence the quality of their production around the globe as companies increasingly operate in distant locations. The health, skills, training, motivation, input, and commitment of line workers influence the quality of production, whether the factories are in California and Quebec or in China and Bangladesh.

For more information please visit:
www.profitatthebottom.org

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Profit at the Bottom of the Ladder

PROFIT AT THE BOTTOM OF THE LADDER

CREATING VALUE *BY* INVESTING *IN* YOUR WORKFORCE

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About the Book:

Most companies understand that good working conditions, competitive salaries, and strong benefits packages attract high-quality professionals. Yet at the same time, many of these competitive companies are slashing their low-wage employees' benefits, wages, and other workforce expenses—sending a stark message that these employees are more expendable.

In Profit at the Bottom of the Ladder, Jody Heymann tells the stories of companies around the world that are linking successes at the top of the corporate ladder to those on all other rungs. Drawing from thousands of interviews with employees at companies—from the front line to the C-suite—Heymann shows how businesses have profited more by improving working conditions. These companies have been profitable for their owners and shareholders not only while being profitable for all their employees but because they have been profitable for their employees at every level.

[Read More >>](#)

Reviews:

"A must-read: Jody Heymann has hammered the last nail into the coffin of the economics of the low road. With her crack research team, Heymann uses a wide array of business case studies to reveal how becoming an employer of choice for the traditionally lowest paid is the route to high profitability and resilience for many of the world's most successful companies."

Juliet Schor
Author of *Plenitude: The New Economics of Growth*

[More Reviews >>](#)

Excerpts:

Download a PDF report summarizing our findings [here](#).

Or, read a sample chapter from the book [here](#).

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About Jody Heymann:

Jody Heymann is founding director of the McGill Institute for Health and Social Policy. She was founding director of the Project on Global Working Families and chair of the Initiative on Work, Family, and Democracy at Harvard University. She has conducted research in thirty-five countries; examined working conditions in 190 nations; and advised leaders in government, UN agencies, and the private sector.



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