

Chapter 1

Corporate America's Self Inflicted Wound: Stress, Productivity and the Health Care Crisis

Chronic stress is ruining Corporate America's bottom line. And, despite its incredibly productive workforce, Corporate America is at a loss about how to solve the problem. It's as simple as that.

According to Dept. of Labor statistics, the US workforce, the most productive workers in the world, have been able to generate an average of 3% annual productivity increases over the last 50 years. Remarkably enough, this annual increase has been consistent over that period of time, with the exception of a halving of annual productivity gains in the 1970s. It is the primary reason why the American workforce remains the most productive in the world. But the progressively greater efficiency American workers have produced over several generations comes with a price tag, and the number on that tag is rapidly increasing.

The Stage Is Set. The history of this amazing record of increase in US worker productivity throughout the last half of the 20th century parallels America's emergence as the preeminent economic and military power on the planet. During the first half of the 20th century, the United States labor force was transformed from a largely rural, agrarian labor force into a predominantly urban industrial worker pool. The single most significant impetus to that transformation was the Second World War.

During and after World War II, there were three major factors which combined to rapidly propel our nation to the status of global economic giant. The first was the rapid growth and transformation of the industrial infrastructure into the free world's supplier of arms and ammunition for the war effort. This infrastructure also propelled many US corporations into the global spotlight as major players on the world's economic stage.

The second was the mass relocation of millions of Americans as they enlisted for the war effort and were sent across the country for military training and, subsequently, all over the world. The lyrics of an old song from the early 20th Century captured the practical effect of this relocation: "How ya gonna keep 'em down on the farm, after they've seen Paree?" Indeed, the end of the war coincided with the urbanization of American society as millions of returning GIs and their families, seeking the bright lights and economic opportunity that the newly massive

urban industrial base offered, rejected a return to the rural life and rapidly filled up our nation's cities.

This migration was accelerated by the third factor, the large scale availability of educational opportunity through the GI Bill. Tens of thousands of American military veterans took full advantage of this program, in the process creating a much more highly educated workforce that could take full advantage of the emerging new technologies which populated the industrial landscape of that era.

The durability of the effect of these three factors is amply demonstrated today, with the US recognized as the major player in the world economy. A primary reason why we continue to enjoy this advantage is the rise in the influence of major corporations. Building on their large scale emergence in the post-WWII era, the reach of these companies into virtually every segment of American society has given rise to the label "Corporate America." The worker productivity statistics cited above could not have been achieved had it not been for the organizational structure which major corporations have been able to create and apply effectively for the collective advancement of every sector of our economy. Well run corporations offer their employees the ability to obtain job security and stability, career advancement, and a slice of the "American Dream" for themselves and their families.

"They Come to America." As a result, at the dawn of the 21st century, the United States stands astride the globe as the preeminent economic, military, technological and cultural superpower. Everywhere you go on this planet, you can find overwhelming evidence of the truth of this statement. No matter what country you may visit on the face of the earth, you will find large numbers of people who, for varying reasons, want to live like Americans, dress like Americans, eat and drink like Americans, and own American goods. Part of the military and cultural backlash we are dealing with in the Muslim world is due to the sheer pervasiveness of American culture. How many times have we seen film on TV of people from all over the planet wearing Levis, drinking Coke, smoking Marlboros, or eating at McDonald's? It is a primary reason why so many people seek legal immigrant status here.

While I was serving as an airline pilot, I encountered a prototypical example of an American success story, much like many of these immigrants seek to emulate. I was sitting at a hotel bar on an airline layover, having dinner with my first officer, when an attractive young woman sat down beside me. We struck up a conversation, and her moving tale transfixed me and my first officer. It was one of emigration from the Middle East with her family to escape religious

persecution, arrival on the US West Coast with virtually nothing, and being raised to truly believe she could be or do anything she wanted in America. She told of how she started with a small company as a receptionist, and rose over a 20 year period to become one of its top company officers. I was deeply moved by both the fierce conviction of this woman and the empowering nature of her story.

It is because of people like her, and of course millions more across the country, that we enjoy the standard of living we do today. What exactly do I mean? For example, walk into any upscale hotel in a large city, and sit down at the bar. You will generally see well appointed furniture, one or more state of the art TVs, a high quality music system, a menu that features food literally from around the world, a bar stocked with beverages of similar international variety, and a wait staff that efficiently orchestrates and provides all this to its customers. Walk out into the parking lot and you will see a predominance of late model cars, owned by people from a variety of ethnic, cultural and economic backgrounds.

Further, if you walk down the street, you won't have to go far to find what has now become one of America's favorite gathering places: the brand name coffee shop. Appointed more like a combination library/café, it again offers an international menu of foods and beverages served in a pleasing setting, with computer hookups to boot. The same can be said of virtually any good quality restaurant you may encounter: pleasing surroundings, a varied menu, and fast service. If Americans prize one thing above all else, it's speed. Give it to me right, but give it to me *fast*.

Walk into almost any American home, and the evidence of another advantage of living in America will literally jump out at you. Everywhere you look you will see advanced technology. Whether it is microwave ovens, flat panel TVs, high tech sound systems, personal desktop or laptop computers, or portable personal electronic organizers, we Americans love our gadgets, and use them extensively. In the process, we have influenced the entire world to emulate us.

How did this occur? Very simply, because of still another advantage of living here: scientific excellence. Since the end of World War II, our nation has pioneered stunning advances in virtually every scientific discipline. The pharmaceutical industry has produced many lifesaving drugs. The chemical products industry has rolled out brand new materials for household use. The food industry has transformed the American market, making shopping for groceries faster and more efficient than ever before.

Our scientific establishment has made breathtaking advances in virtually every arena. We have sent men to the moon, in the process revolutionizing the materials, data processing, garment and food industries. We have peered into the vastness of space with the Hubble telescope, looking backwards in time to the birth of the Universe. We have sequenced the human genome, presaging the potential end of many deadly diseases. We have harnessed the power of the atom, offering the vision of a future where energy will be virtually limitless.

Our society has become a model of speed and efficiency, providing virtually any good or service at remarkable speed. Yes, we Americans really enjoy living in our fast paced society. We use 24/7 communication, convenience stores, credit/debit cards, and state of the art technology – and we use caffeine and energy drinks, fast food and fads, diet and recovery programs, medical professionals and HMOs, and the latest breakthroughs in pharmaceuticals to help us keep up and fix us up if our bodies break down.

But as Shakespeare famously said, “Aye, there’s the rub.” All of these freely admitted advantages come at a price for all of us. That price? *Chronic stress.*

STRESS A MAJOR HEALTH PROBLEM IN THE U.S., WARNS APA. The headline on the 2007 survey by the American Psychological Association (APA) says it all. In their book “The Stress Solution,” Lyle H. Miller, Ph.D., and Alma Dell Smith, Ph.D. estimate that 75-90% of visits to family physicians are for complaints/illnesses whose root cause is stress. According to Prof. Melissa Chessher of Syracuse University, stress accounts for 70-90 percent of corporate employee hospital visits.

As a corporate manager or employee, think about what that means: if an employee goes to his family doctor for any reason, there is a 75 to 90% chance that the reason is stress related. Likewise, between 7 and 9 out of 10 times a corporate employee visits the hospital, it’s because of a problem due to chronic stress.

How large is that chronic stress load? It is estimated by Wayne Dyer, Ph.D., that one hundred years ago, the average American took in about 600 impressions a day that caused action or reaction in thought or deed. Were we to make a reasonable estimate backwards in time, we would likely see that prehistoric humans dealt with even fewer such daily events. However, today that number is 60,000 a day!!! In other words, within a single century we have experienced a hundredfold increase in the number of events with which we must contend on a

daily basis. This is the price we pay for progress, a price we only now are beginning to accurately quantify.

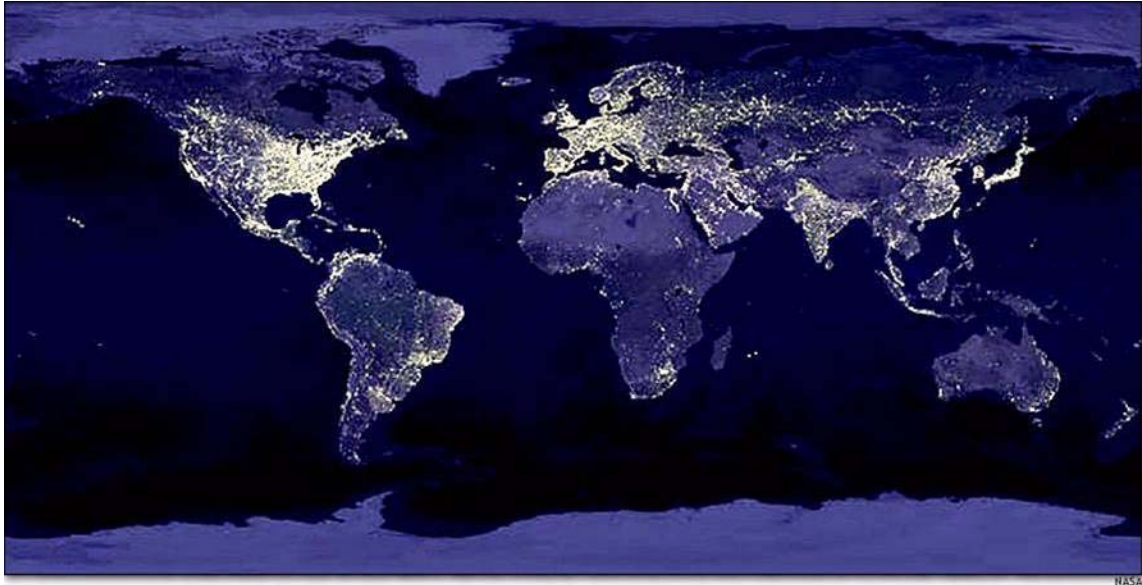
The United States government has obviously taken a significant interest in stress, in that the Occupational Safety and Health Administration declared stress a hazard of the workplace. They estimate that an astounding 43 percent of all adults suffer adverse health effects from stress, and it is getting worse.

The APA, in a 2005 survey, discovered that more than 1/3 of Americans say they have had an illness that was primarily caused by stress. More recently, their 2007 survey disclosed that three-quarters (77 percent) experienced physical symptoms during the last month as a result of stress. This includes fatigue (51 percent); headache (44 percent); upset stomach (34 percent); muscle tension (30 percent); change in appetite (23 percent); teeth grinding (17 percent); change in sex drive (15 percent); and feeling dizzy (13 percent), among others.

Nearly as many (73 percent) experienced psychological symptoms in the last month including irritability or anger (50 percent); feeling nervous (45 percent); lack of energy (45 percent); and feeling as though you could cry (36 percent). Half (48 percent) of adults lay awake at night during the last month because of stress and on average they report losing 21 hours of sleep per month.

What is the apparent cause of this stress? The APA 2007 survey identified work related stress as the primary cause for three quarters of the respondents. The level of stress is such that half of employees surveyed (52 percent) report that they have considered or made a decision about their career such as looking for a new job, declining a promotion or leaving a job based on workplace stress. The leading sources of stress that contribute to these decisions are low salaries (44 percent); heavy work load (41 percent); lack of opportunities for advancement (40 percent); uncertain job expectations (40 percent); and long hours (39 percent).

Why long hours? As our society has become more and more automated, we have also lost one of the most healthful habits our ancestors adhered to every day: getting up and going to sleep with the sun. Take a look at the satellite imagery below, depicting the lighted areas of Earth at night. We have truly become a 24/7 society! That transformation has brought about a VERY unhealthy result: sleep deprivation.



This depiction of the Earth, while admittedly beautiful, is an eloquent testament to our global civilization's determination to both provide a safe environment at night for its citizens and to attempt to increase the labor productivity of those same citizens. Not unexpectedly, Corporate America has taken full advantage of this situation by creating a working day which now stretches literally around the clock. As we have extended the length of the effective working day, in some cases reversing day and night for many of the American workforce, we have simultaneously imposed an ever greater stress load on those same workers. The harder our society tries to become more "productive," the more people we expose to these conditions.

Can We Afford It . . . REALLY? Stress-related ill health is not cheap. The American Institute of Stress (AIS) estimates that stress related ailments cost companies about \$300 billion a year in absenteeism, being late to work, reduced productivity, and the loss of valuable employees. More than half of employees (55 percent) surveyed by the APA in 2007 said they were less productive at work as a result of stress. The costs are also reflected in the fact that 4 out of 10 corporate "sick outs" are stress related. Said another way, workplace stress causes approximately *one million* U.S. employees to miss work *each day!* Note that the above costs do NOT include the associated health care costs.

On the other hand, the consensus estimate of projected annual US health care spending increases over the next decade is 8% to 11%, with some advanced health care for seniors projected to rise by as much as 70% over the next decade. By 2016, the government estimates that health care spending in the United States is projected to reach just over \$4.1 trillion and

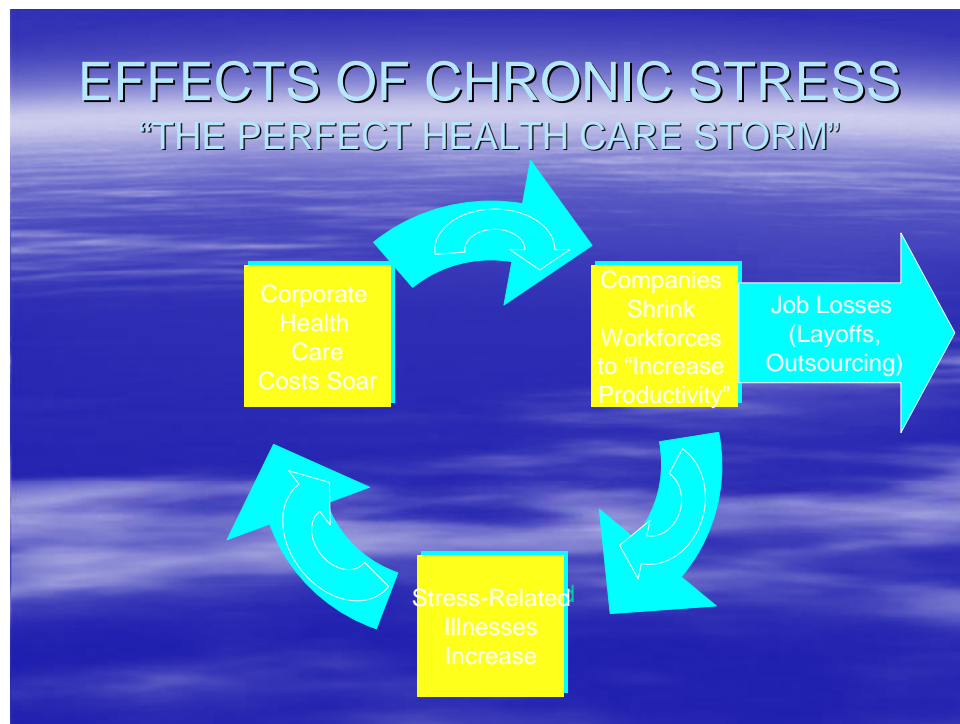
comprise 19.6 percent of GDP. That means that in 2016 almost 20 cents of every dollar earned in this country will be spent on health care.

There is no end in sight to these increases, which gobble up progressively greater portions of our national wealth. A big part of that increase is what we pay for pharmaceutical drugs: the top ten US pharmaceutical companies (also collectively known as "Big Pharma") earned more in 2005 than the other 490 Fortune 500 companies *combined*. The Congressional Research Service labels health care spending as the single greatest threat to our nation's economic well being.

Do the math: unless we start making smarter choices, we'll never catch up.

Corporate America Reacts . . . But How Smartly? Driven primarily by these financial imperatives, our nation's corporations have, over a period of many years, sought to control health care costs in large part by increasing the productivity of their employees. In other words, by having fewer people do the same amount of work, they believe they can help better control their annual health care expenditures.

Unfortunately, the statistics cited above are part of an ominous trend, one which has placed Corporate America into a vicious spiral of an ever shrinking workforce and ever increasing health care costs. The diagram below helps describe this phenomenon more clearly.



While any astute business manager or executive recognizes that many factors impact the decision to cut jobs, increasingly the reason is the cost of health care. When the cost of labor in this country is examined more closely, approximately 30 percent consists of benefits, and the bulk of that is health care costs. According to figures from the Bureau of Labor Statistics, benefits costs have increased 4.5 percent to 7.2 percent on an annual basis in the last four years. The major driver of these increases is health care costs.

Corporate America has clearly recognized this problem, and expressed its concern as far back as 1993. A study done in response to President Clinton's proposed overhaul of the nation's health care system, largely sponsored by companies that do not provide health insurance for their employees, contended that requiring employer-paid health coverage would eliminate 3.1 million jobs. Another study, sponsored by the National Federation of Independent Businesses, stated that the plan would put 12.7 million jobs at risk and lead to one million layoffs.

More recently, a USA Today article highlighted General Motors' concern about the rapidly spiraling health care costs for its U.S. workers. In contrast to Canada, whose national health care system subsidizes all but \$120 of the benefits cost applied to each vehicle manufactured there, health care costs applied to U.S.-made GM vehicles average \$1,500 per car.

Health care became such a contentious issue that it contributed to the strikes at all of the Big Three automakers in 2007. Ultimately, however, the solution became a combination of job cuts and employee sharing of health care costs, a huge concession for the labor unions.

As the economy continues to globalize, the cost of American health care continues to exert a drag on our economic growth, and contributes in a major way to the loss of jobs in all sectors. For example, in 2005 Toyota decided to place a new assembly plant in Canada instead of the U.S. A major factor leading to this decision was the company's determination that Canada's national health system would effectively subsidize Toyota's health care costs. This factor overrode the incentives offered by the U.S. for the company to locate here. This is but one example of a major employer bypassing the U.S. in part to avoid increasingly onerous health care costs.

Health care costs also contribute to another, increasingly visible phenomenon: outsourcing of jobs, especially overseas. A 2003 analysis by Goldman-Sachs estimated employers shifted between 300,000 and 500,000 jobs over the past three years to such countries as India and China. The report goes on to suggest that, based on these estimates, the number of jobs

offshored will increase to several hundred thousand annually in coming years. A 2004 study by Deloitte reported that the world's 100 largest financial-services companies anticipated the transfer of two million jobs offshore over the next five years in efforts to reduce their costs significantly. Many of the major Internet service providers have followed suit, transferring their IT and customer service functions to nations such as India, where the combination of an increasingly educated workforce, lower wages and (once again!) lower health care costs make the cost of labor much more affordable than in the U.S.

What are the mechanics of these decisions? As we have seen previously, a primary driver in the increase in health care costs is the stress level experienced by employees. Once corporations see their health care spending continue to rise (in large part due to stress related illnesses), they attempt to control health care costs by, among other things, reducing the numbers of workers they employ. They accomplish this by a combination of layoffs and, in many cases, outsourcing to either independent stateside contractors or overseas employees. In both of these cases the corporations do not have to pay for the health care coverage, achieving an apparent savings. The smaller workforce left behind, however, typically must now contend with an increased workload and a corresponding increased level of stress. This situation, combined with the systemic annual increases in health care costs cited earlier, sets the cycle in motion again. As corporate managers see their costs continue to rise they engage in another round of job consolidations and outsourcing, inflicting an even greater stress load on the still smaller workforce.

Unfortunately, despite Corporate America's best efforts, it has been unable to generate more than an average 3% annual productivity increase from the labor force, while health care costs continue to increase by 8% to 11% annually. In other words, no matter how productive a corporation's workforce becomes, they fall short by 5% to 8% annually in being able to cover their own health care costs. The continuing result is an ever shrinking, chronically stressed workforce in progressively worse health, and an ever growing health care bill for Corporate America. The worst part is that, unless something changes dramatically, *no corporation will ever catch up.*

The evidence of this regrettable situation is apparent daily in the business pages of virtually every major newspaper, and on all the business programs of the major cable TV stations. How many times have we seen major corporations announcing job cuts or consolidations? How many times have we seen announcements of jobs being shipped overseas, or health care benefits

being cut during labor contract negotiations? The inescapable fact is that we, as a nation, can no longer afford our own health care system.

Let's be very clear about the consequences of this situation. Because of our nation's inability to control health care costs, we are gradually eroding the ability of the US business community to provide meaningful employment to our citizenry. Said another way, our health care system's inability to control its costs, and Corporate America's response to that problem, are major causes of the outsourcing and outright job losses being experienced in Corporate America today. In turn, these factors contribute immeasurably to the level of chronic stress being experienced by the continually shrinking American workforce.

But how do we address this difficult challenge? Can we even put a meaningful dent in it? I believe we can. The way forward involves a combination of clear recognition of where we are today, how we got there, and what we need to learn and do to change things for the better. Turn the page to start our journey together.