

Case Study

Healthy Workplace Programs at
Pazmac Enterprises Ltd.
Langley, British Columbia

March 2002

Clarence Lochhead

Table of Contents

Introduction.....	1
Pazmac Enterprises Ltd. Case Study Summary	2
I. The Company.....	2
II. Wellness Activities at Pazmac	4
III. Impetus for Healthy Workplace Initiatives.....	5
IV. Commitment to a Healthy Workplace	6
V. Impacts	7
VI. Conclusion	9

Introduction

This case study is one of a series of twelve such studies conducted by the Canadian Labour and Business Centre during 2001 – 2002.

Issues of workplace health and wellness are an ongoing priority for the Centre, which is a joint organization founded on strong membership from the main workplace parties – business and labour. We believe that approaches which promote workplace health and wellness are in the best interests of both employers and workers – a clear ‘win-win’. In particular, in a period of anticipated growing skill shortages, those employers who pay attention to workplace health issues will have a competitive advantage over others in recruiting and retaining workers with much-needed skills.

The following case study reflects the Centre’s main objective in undertaking this work, namely:

- To identify the key features of the wellness initiatives in each workplace;
- To document the role of both management and unions/workers in managing these initiatives;
- To assess the relationship between the initiatives and the organization’s business strategy and ‘culture’; and
- To document the ways in which the workplace monitors the impacts of its health/wellness activities.

In short, the case studies are as much about the *process* of workplace wellness as about the *content* and *impacts* of individual workplaces’ initiatives.

Taken as a group, the full set of cases has been deliberately assembled to reflect, as widely as possible, a broad diversity of workplaces in terms of geography, sector, size, and union/non-union status. As a group, the cases are intended to tap the experience and practice of a variety of workplaces, in order to maximize the benefit from the case study work. Readers will note, as a result, that no two cases are alike, and that the lessons to be learned from each case vary considerably.

The full set of case studies will be available on the Centre’s website at www.clbc.ca, where they will be published individually. The Centre is also preparing a summary commentary on the cases, which will identify key common features – and important differences – among them. Finally, the Centre is developing a series of regional seminars at which some of the workplaces featured in these case studies will share their experiences. As they are scheduled, the seminars will also be listed on the CLBC website.

The Canadian Labour and Business Centre welcomes readers’ comments and questions, which may be communicated to the Centre at (613) 234-0505, or to info@clbc.ca

Pazmac Enterprises Ltd. Case Study Summary

- *Founded in 1972, and based in Langley, British Columbia, Pazmac is a leading provider of precision Computer Numeric Control (CNC) machining services, catering to clients across North America in a diverse range of industries, from aerospace to telecommunications. The company is non-unionized and has 30 employees.*
- *Pazmac's business strategy is guided by owner Steve Scarlett's deeply held philosophy of treating employees, customers and suppliers the way he himself would like to be treated. Trust, respect, and open and honest communications with employees are central shared values of the company.*
- *Pazmac operates out of a custom designed manufacturing facility that features employee designed workspaces, natural lighting, on-site gymnasium and swimming pool.*
- *Wellness initiatives include unlimited access to the gymnasium and swimming pool, fitness workouts with personal trainers, weekend hiking, weekly Yoga classes, and professional counseling services in times of personal crisis.*
- *Seventy percent of employees participate in fitness program.*
- *The impacts of wellness programs are not formally evaluated. However, employee turnover is low, absenteeism is almost non-existent, and employees express high levels of job satisfaction and loyalty to the company. Plans are underway to expand the on-site fitness facilities.*

I. The Company

Pazmac's main business is the supply of precision machining services to Original Equipment Manufacturers (OEMs). Customers come from a diverse industrial base including forestry, oil and natural gas exploration, pump manufacturers, aerospace, food equipment manufacturers, and public utilities. Pazmac has experienced substantial growth since its founding in 1972, and in 2001, had revenues in excess of \$5 million.

Pazmac employs 30 people in total, including 17 licensed machinists, 3 machinist apprentices, 3 support people in shipping and maintenance, and 7 administrative staff.

The company's owner, president and CEO is Steve Scarlett. He originally joined the company in 1977 as general manager, and became sole owner in 1986. With a background in marketing management, Scarlett uses a systems-oriented approach to business operations. In 1994, Pazmac achieved ISO-9002 registration.

While having good administration skills, owner Scarlett has no hands on machining experience, and relies heavily on his team of employees to provide critical input into business operations. Every job produced at Pazmac is analyzed for its contribution to revenue and profit, and reviewed with the machinist and his supervisor to evaluate production efficiencies and pricing. Under this approach, honesty, trust and effective communications are paramount.

Pazmac is guided by a strong set of mission, business and value statements, which wed the objectives of profitability, productivity and quality with ethical business practices and a commitment to employee well-being and respect (Figure 1). A recent ISO audit concluded that “the philosophies and commitment of the president are reflected at all levels of the organization, resulting in a stable and caring work force working and communicating as a team to meet common goals. [The] statements of ethics are not just slogans on the wall – they are a way of life”.¹

Figure 1

Pazmac Enterprise’s Mission, Business and Shared Values Statements

Mission	Business Values	Shared Values
<ol style="list-style-type: none"> 1. Provide our customers a service that meets or exceeds their expectations 2. Provide our employees with a workplace that encourages a “family” atmosphere, promoting respect and well being through an understood set of shared values 3. Provide our shareholders with a return on investment which meets or exceeds their expectations 	<ol style="list-style-type: none"> 1. Highest possible product quality 2. Margin Driven targets 3. Core strength comes from people 4. Highly ethical business practices 5. Seek continuous improvement 	<ol style="list-style-type: none"> 1. Be Honest 2. Mentor Unselfishly 3. Be receptive to new ideas 4. Take Personal risks for the organization’s sake 5. Lavish Trust on your associates 6. Give Credit where it is due 7. Do not touch dishonest dollars 8. Put the interest of others before your own 9. Have Fun

¹ As reported in *Enterprise* magazine, March, 1999.

II. Wellness Activities at Pazmac

Physical environment

Health and wellness at Pazmac begin with the work environment. In 1997, the company built an 18,000 square foot climate controlled facility, designed by a leading Vancouver architect. The building's architecture is dedicated to managing quality, employee well-being and interactive management of the business. It is a clear reflection of the company's commitment to provide employees with a clean, safe and healthy work environment. The shop floor is spotless, the lunchroom is tastefully decorated, the building features employee designed workspaces, abundant natural lighting, state of the art communications tools, showers and lockers, gymnasium and swimming pool. Outdoor patio tables are equipped with phone and computer outlets, permitting staff to work outside during warm sunny days.

Both the ownership and employees at Pazmac are proud of their work environment, and believe that it contributes to employee dedication and manufacturing excellence. According to owner, Steve Scarlett:

It almost goes without saying but we pride ourselves on a clean and safe working environment. I believe this is not only fundamental to employee well being, but speaks volumes regarding efficiency, productivity and pride.

Wellness Activities

Perhaps as a result of its size, Pazmac's wellness initiatives are organized in a very informal way. There is no official wellness program or committee, and there are no staff dedicated to overseeing or coordinating wellness activities.

- All employees have unlimited free use of the on-site swimming pool and fully equipped gymnasium
- All employees are entitled to one free workout per week with a personal trainer. This may be either in the form of a gym workout or a workout in the pool
- All employees are encouraged to exercise with the trainers more frequently than once a week. The trainers offer a reduced rate for this service
- The company sponsors weekend guided hiking trips, which range from short day trips to all weekend overnight trips. In the winter months, snow-shoeing day trips replace this activity.
- The company offers a weekly, on-site noon-hour Yoga class. The class is free for those who wish to attend.
- The company will either pay in full or assist in paying for the services of a psychotherapist to help employees work through personal issues.

Occupational Health and Safety

Wellness initiatives at Pazmac are not a substitute for sound safety practices. In May 2001, the company introduced, with the help of an outside consulting firm, a new health and safety program. The comprehensive program includes a health and safety policy statement, thoroughly documented site rules, safe working procedures for various tools and machinery, inspection, monitoring and accident investigation procedures, and a Workplace Hazardous Materials Information System (WHMIS) program. The program clearly delineates the roles and responsibilities of employees, supervisors and ownership. The program is to be audited on an annual basis.

The new occupational health and safety program updates and formalizes many of the existing safe working practices, and also commits Pazmac to the establishment of a Health and Safety Committee. The Committee has representation by management and employees and from each department. The committee acts as an advisory group, and not a policy making body. Its main responsibilities lie in more traditional concerns of occupational health and safety such as the review of incidents and accidents, recommendations for corrective actions, and the review and assessment of health and safety training.

Costs of the wellness activities

Pazmac invested nearly \$2 million in the design and construction of its building and facilities, including \$72,000 for the lap pool and \$26,000 for the gymnasium. An additional \$11,500 was spent for the purchase of gym equipment.

Ongoing costs in support of wellness activities were viewed by the owner as relatively modest, and particularly cost effective given the way activities are organized. For example, personal trainers for employees average \$1,700 per month (\$20,400 per year). Because the fitness program is self-managed by the employees, there is no ongoing operating cost to the business. Employees simply arrange sessions with personal trainers as convenient, and use the facilities as they wish.

There is also no charge for weekend hiking trips, which are voluntarily led by one of the personal trainers.

A small portion of the company's full-time maintenance person's time is spent cleaning and maintaining the pool and gym areas.

III. Impetus for Healthy Workplace Initiatives

Owner's Personal Belief

The decision to build a first class work environment, complete with swimming pool and fitness facilities, was based on a combination of personal philosophy and business strategy. On the personal side, owner Scarlett professes a simple and deeply held philosophy of treating employees, customers and suppliers the way he himself would

wish to be treated. The promotion of workplace wellness was also partly motivated by a personal crisis, in which Scarlett experienced a serious and life-threatening illness. Making a full recovery, Scarlett made a decision to turn his life around - to eat healthy foods and be fit in both body and spirit. Scarlett also felt a strong desire to extend these lifestyle opportunities to others around him, "to effect positive change in people's lives".

Business Strategy

While the impetus for Pazmac's healthy workplace initiatives is in large part the result of the owner's personal beliefs, they are also part of a forward thinking business strategy that recognizes the challenges of recruiting and retaining skilled workers. Owner Scarlett comments that

Twenty five years ago, it was relatively easy to find a skilled journeyman. Today it's much more difficult. By treating people right, nurturing relationships and enriching peoples' lives, you gain a kind of loyalty and respect that money just cannot buy.

Scarlett believes that with some 300 competitors in the area, Pazmac's healthy workplace practices contribute to his goal of building a dedicated and highly qualified team focused on product quality; and keeping them over the long-term.

IV. Commitment to a Healthy Workplace

Pazmac's commitment to a healthy workplace is demonstrated in several ways. Among employees interviewed, the most obvious indication of this was the considerable resources expended in building a work environment dedicated to employee well being. All employees interviewed stressed that the high quality of work environment and the range of fitness activities offered were attributable to the ongoing leadership, vision and commitment of the owner. Employees also felt that the owner led by example, with his own regular use of the on-site fitness facilities.

Pazmac employees also felt that their input was valued and sought after, and took this as a sign of management's commitment to a healthy workplace. For example, during monthly all-staff general meetings, employees and management discuss all areas of the business, including safety, the prior month's financial performance, strategic direction and social events. In addition, there is a formal one-on-one review process at Pazmac, as part of the management system. During these meetings, issues relating to the employee's well-being, be it on the job or at home are discussed. Owner Scarlett believes these communications foster the family feeling in the company, and are extremely important as "there are no issues that are brought up that do not affect our business in some way or another".

A final demonstration of Pazmac's commitment to a healthy workplace is in its formal occupational health and safety statement, which reads: *The management of Pazmac*

Enterprises is committed to providing a safe and healthy work environment for all of its employees.

V. Impacts

Pazmac does not measure in any systematic or formal way, the impacts or success of its wellness activities. This is in part due to the size of the organization, and the informal and voluntary nature of the wellness initiatives. More importantly, for owner Steve Scarlett, the benefits of a healthy workplace and life-style are self-evident, and based on his own personal experience and beliefs. Still, Pazmac's owner and employees had little difficulty in identifying the benefits of Pazmac's healthy workplace.

Participation

One measure of the success of Pazmac's wellness activities is the high degree of employee participation. Out of 30 employees, 21 (70%) take part in workout programs at least once a week with personal trainers. Participation is so high that the existing space available for fitness workouts is proving insufficient. Accordingly, plans are underway to expand the fitness facilities from the existing 300 square feet to 1,500 square feet, using available space on the mezzanine level of the building. This is also a further indication of Pazmac's commitment to and belief in workplace wellness.

One older employee, who chooses not to participate in the fitness activities, did not feel any pressure to do so: "the programs are great. We're encouraged to get involved, but there's no pressure".

Currently, six employees (20%) participate in weekly Yoga classes.

Health and Safety

All of the workers interviewed felt that their involvement in fitness training was yielding positive physical and mental benefits. They felt more alert on the job, and healthier in their everyday lives. Pazmac's record of absenteeism and Workers Compensation Board Claims history back up these sentiments:

- Employee absenteeism is almost non-existent at Pazmac. Even though employees are eligible for one paid sick day a year, in the last five years there have only been 16 sick days taken by shop employees. This averages out to a total of 3.2 lost days per year, and less than 0.1 days per year per employee.
- Based on their Workers Compensation Board claims history, Pazmac's assessment rate has decreased from 2.83% in 1996 to a current rate of 2.60%.

Employee Retention

For Pazmac, the retention of skilled labour is critical to the company's success. Owner Scarlett is keenly aware of the growing shortage of skilled labour, and the challenges of

recruiting new talent as an older workforce reaches retirement. In addition, Pazmac spends a considerable amount of time and money on in-house training, and currently has three apprentices. The overall approach of the company and its wellness initiatives are in part designed to ensure that these investments will pay off as employees stay for the long term. Scarlett believes that creating an attractive, healthy and enjoyable workplace will help reach this objective. To this point, he is satisfied that the company's efforts are working:

- Employee turnover has been very low. In the last five years, only three employees have left of their own volition.
- Several of Pazmac's machinists have been with the company for 15 or more years.

Employees of Pazmac agreed that Pazmac's management style and work environment contributed to increased retention. For instance, one new and relatively young employee said that before joining Pazmac, he had seriously thought about doing something else other than machining. This employee had left his previous workplace because he was extremely dissatisfied with working conditions. However, after six months at Pazmac, this same employee said "I can see myself retiring here".

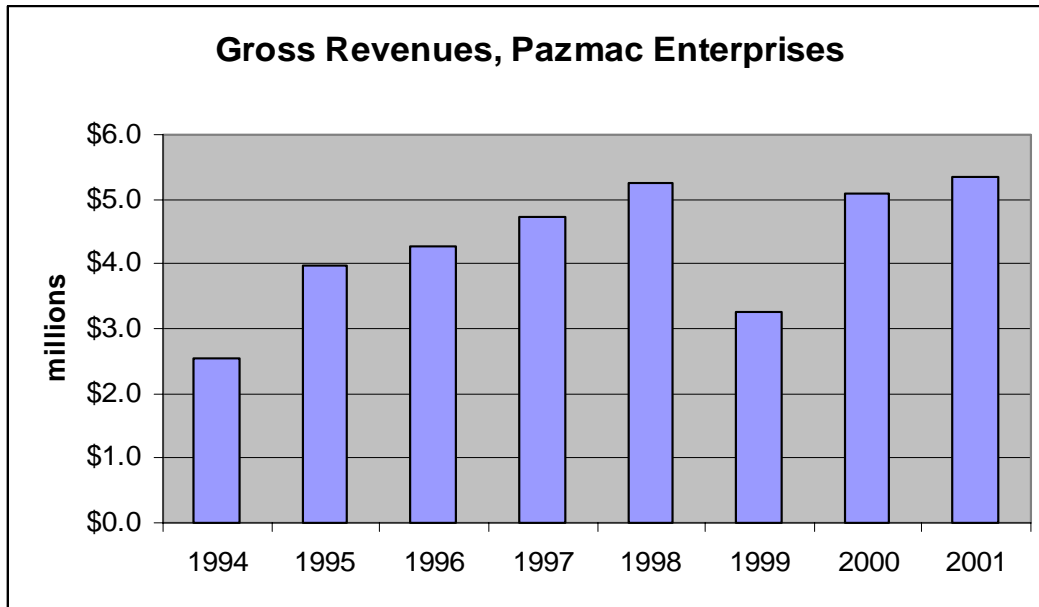
Employee loyalty and commitment

Employees and management feel that Pazmac's commitment to a healthy workplace has increased employee loyalty and dedication.

As an illustration of employee loyalty, owner Scarlett cited the tremendous efforts of his employees during a period of declining revenues. As Figure 2 shows, Pazmac has experienced considerable growth over the past eight years. However, in 1999, revenues declined by 38% due to the loss of a significant customer. Pazmac was able to carry on through this period with no layoffs. According to owner Scarlett, workers rallied round the business, agreeing to a 15% pay cut through the period of readjustment. The year after, revenues increased by 56% and in 2001 reached new heights. Workers wages were returned to their previous levels and bonuses given in lieu of lost wages. Owner Scarlett insists that these efforts would not have been possible without the underlying workplace culture based on mutual respect and trust as shared values:

During this period of readjustment, we were able to keep our workforce intact. I believe this was due solely to our employees' faith in our company, and the belief that our cumulative effort would get us through the crisis. We are now back on track and in growth mode again.

Figure 2



VI. Conclusion

This case of Pazmac Enterprises is a good example of how workplace wellness can work within a small business operation.

The company's actions in providing a safe, healthy and satisfying work environment are part of an organizational culture emphasizing interpersonal relationships and employee wellbeing. Pazmac's healthy workplace activities also offer strategic advantages in attracting and retaining a highly qualified and dedicated team of employees. And while the impacts of Pazmac's wellness activities are not formally evaluated, the company's owner and employees believe they contribute to the company's low levels of absenteeism and turnover, and high levels of job satisfaction.

Prologue

At the time of writing, plans were underway at Pazmac to expand the on-site fitness facilities. In the spring of 2002, the new gymnasium was completed at a cost of \$50,000.