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# A guide to the business case for mental health

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ENWHP

Mental Health Foundation



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[www.enwhp.org](http://www.enwhp.org)

Published by NHS Health Scotland

Edinburgh office:  
Woodburn House  
Canaan Lane  
Edinburgh EH10 4SG

Glasgow office:  
Elphinstone House  
65 West Regent Street  
Glasgow G2 2AF

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NHS Health Scotland is a WHO Collaborating centre for health promotion and public health development.

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# Introduction

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Despite multiple 'stress management' and individual support initiatives, psychosocial problems, including stress, are one of the main causes of absenteeism today. Indeed, in Europe, it is estimated that more than one in four workers suffers from stress and that stress accounts for over 50% of absenteeism in companies. This represented €20 billion in additional expenditure for the 15 European Union countries in 2002.

Facts and figures:

- » 25% of European citizens will experience a mental health problem during their lifetime.
- » 27% of the adult population in Europe is affected by mental health problems, that is 93 million people.
- » The World Health Organization estimates that by 2020 depression will become the second most important cause of disability in the world.
- » Across Europe the levels of absenteeism, unemployment and long-term disability claims due to work-related stress and mental health problems have been increasing. For example, around 10% of long-term health problems and disabilities can be ascribed to mental and emotional disorders.
- » Total costs of mental health disorders in Europe are estimated to be €240 billion per year. Direct costs, such as medical treatment, account for less than half of this sum. The larger amount of €136 billion is due to lost productivity, including sick leave absenteeism.

The problem is all the more serious since a company's economic efficiency and competitiveness increasingly rely on mental and cognitive skills: creativity, relationship and emotional skills, autonomy and exchange of knowledge are now key factors in individual and collective efficiency. These factors are closely linked to the psychological wellbeing of individuals.

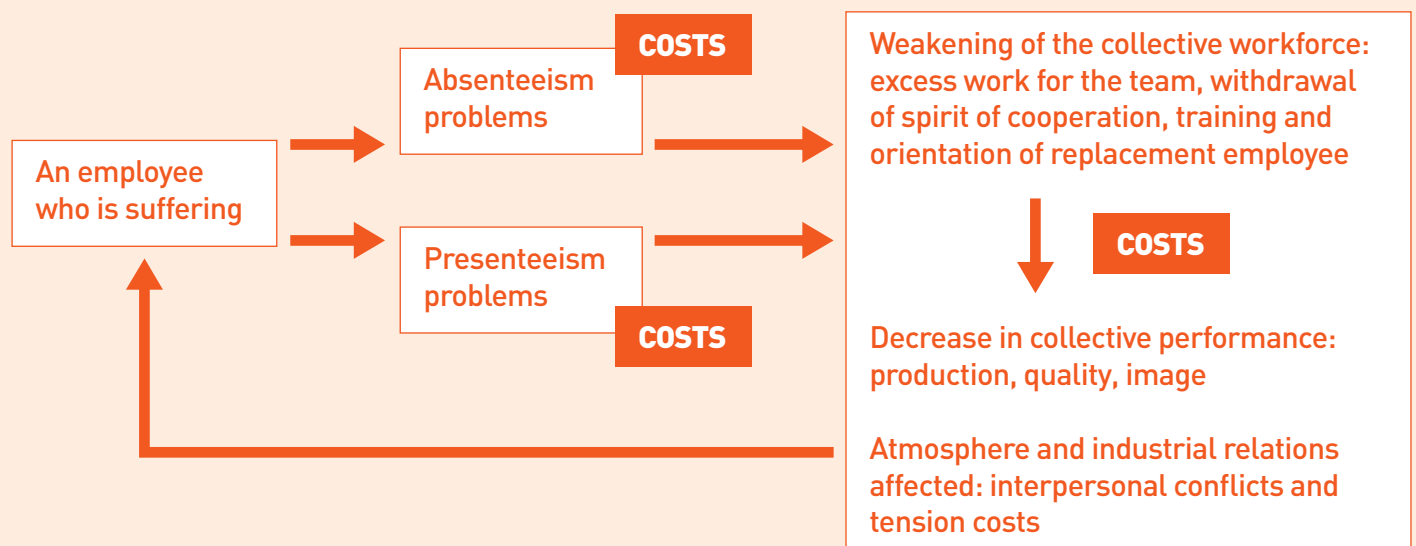
But psychological wellbeing is not only a strategic 'resource' for economic production, it is also a resource 'produced' by the company. Work that is too demanding, lack of resources to achieve the set objectives, conflictual working relationships, aggressive clients and so on, can have a negative effect on mental and relationship skills as well as on the psychological wellbeing of individuals and hence their performance. We therefore face a paradox: the more crucial mental health becomes for the company, the higher the risk there is of this resource becoming rare! It is not necessarily that the psychological wellbeing of individuals has declined, but the fact that a company's performance depends more than ever on skills linked to a healthy psychological condition.

This brochure is designed to assist corporate players to gain more insight into the economic aspect of psychosocial issues in the workplace (stress, violence, harassment, burnout, etc.). What are the costs of not taking action regarding this issue? How can the costs of assessing the situation be anticipated and evaluated? What investment costs (and returns on investment) are involved in psychosocial risk prevention?



# What are the effects and costs of the company doing nothing?

An employee who is suffering costs the company in the following ways:



## The vicious cycle of stress

There is a 'chain reaction' whereby the effects of stress on an individual level, that is absenteeism or presenteeism, have collective and organisational consequences: excess workload for colleagues due to the absence and/or disengagement of one of their own, refusal to help a colleague who doesn't 'pull his weight', a pure and simple withdrawal from the spirit of cooperation and solidarity, etc. This deterioration has an impact on the company's economic performance in terms of the quantity and quality of production, relations between management and workers, and ultimately its commercial performance. Deterioration on several levels runs the risk of generating a lack of psychological wellbeing among the other employees, in turn leading to absenteeism or presenteeism. The vicious circle of stress thus commences.

## The costs and effects of absenteeism

An employee who feels uncomfortable at work may stop working temporarily, initially in terms of sick leave and repeated absence. If the conditions are not met to ensure a more positive environment when work is resumed, this could turn into longer-term sick leave, unfitness to work and/or the employee leaving for good. This absenteeism comes at a cost to the company. There are two categories of costs: costs linked to days lost and those relating to replacing the absent employee.

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Costs are assessed based on:

- » countable data: benefits paid, occupational health contributions, etc.
- » qualitative data: support when integrating the replacement employee, reduction in quality and innovation, etc.

Thus, an absent employee or an employee who is leaving the company once and for all generates 'human' costs on the collective workforce.

When an absent employee is not replaced, the workload spills over on to his or her colleagues, causing extra work all round. A 'spill over' of stress on to colleagues is also possible, increasing the likelihood of absenteeism in the department.

Furthermore, the temporary replacement of an absent colleague or the arrival of a new colleague will also upset the running of the department during the integration period. A temporary decrease in production must then be included in the stress costs for the company. Finally, we must not overlook the effects of a work stoppage or the departure of a colleague on the general working environment, as well as on productivity and quality.

### **The costs and effects of presenteeism**

Some employees are ill without being off sick, which also comes at a price. Presenteeism is a term describing this phenomenon of being at work in spite of health problems or burnout. It specifically implies being physically present at work without having the normal expected productivity. Costs associated with presenteeism must not be overlooked and can affect the company on several levels:

- » A drop in productivity and loss of creativity.
- » Stress-related industrial accidents.
- » Legal risks linked to harassment and interpersonal conflicts.

### **Some key points resulting from international studies**

Presenteeism is a phenomenon that is difficult to measure, but several scientific studies highlight its economic impact:

- » An American study showed that an employee's productivity is reduced by 33% or more due to presenteeism.
- » According to a recent study conducted in the United Kingdom, loss in productivity due to presenteeism is assessed at nearly double (£605/employee/year) that of the cost of mental health-related sick leave (£335/employee/year)

## Assessment of costs relating to stress and psychosocial risks

COSTS	CATEGORY	DATA	
		QUANTITATIVE	QUALITATIVE
Linked to absenteeism	Days lost	<ul style="list-style-type: none"> <li>» Benefits paid to the absent employee</li> <li>» Professional health insurance contributions</li> <li>» Overtime for colleagues</li> </ul>	<ul style="list-style-type: none"> <li>» Management and human resources' time</li> </ul>
	Replacement of absent employee	<ul style="list-style-type: none"> <li>» Job advert fees and temporary staff agency fees</li> <li>» Extra salary costs for insecure jobs</li> </ul>	<ul style="list-style-type: none"> <li>» Recruitment, training and apprenticeship time</li> <li>» Extra work for colleagues during the transitory period</li> <li>» Slowing of pace/decline in results</li> </ul>
Linked to presenteeism	Drop in productivity	<ul style="list-style-type: none"> <li>» Penalties linked to extended deadlines</li> </ul>	<ul style="list-style-type: none"> <li>» More errors</li> <li>» Reduced quality</li> <li>» Drop in innovation</li> <li>» Loss of ability to win a market or satisfy clients</li> <li>» Management's time spent on adaptations within the team</li> <li>» Tarnished image for clients/group</li> <li>» Reduced attractiveness of company</li> <li>» Management and human resources' time</li> </ul>
	Risks linked to a decline in collective and interpersonal relationships (harassment, conflicts with management)	<ul style="list-style-type: none"> <li>» Legal fees: lawsuits and grievances</li> </ul>	
	Stress-related industrial accidents	<ul style="list-style-type: none"> <li>» Increase in costs of resulting absenteeism</li> <li>» Increase in work insurance premiums</li> <li>» Rise of benefits for work stoppages</li> </ul>	

Please note that this list is indicative. Each company can draw up and use the data applicable to its business.



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# Assessment of the situation: how to go about it and how to assess costs

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## When the company decides to react

When a company decides to deal with the problem in order to reduce costs relating to stress and psychosocial risks, the psychosocial risks and their root causes need to be precisely identified and decisions must be made about the action to be taken. An overview about significant work – related psychosocial risks is shown here:



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However, psychosocial risks are complex to assess as there are always several causes and their effect on work is rarely immediate. It is therefore important to know how to identify them in the best possible way and as early as possible in order to organise prevention in an optimal manner.

The situation can be assessed using different tools. The diagnosis of the situation takes place in practice in two rather different ways. Either:

» the company launches a 'questionnaire approach' to identify the psychosocial risks on the overall population or on a representative cross-section, as a sort of 'snapshot', both of the condition of people's health, the quality of the general climate and the identification of tension

or:

» it can set up a range of performance measures or the 'scorecard approach'. The Work Positive diagnosis tool [www.healthscotland.org.uk/workpositive/index.cfm](http://www.healthscotland.org.uk/workpositive/index.cfm) can help employers to conduct a comprehensive assessment of the known causes of stress in the workplace, as well as measuring their performance against HSE management standards.

### **Stress and psychosocial risk questionnaire**

These questionnaires suggest jointly measuring the lifestyle and stress level of the subject and his or her perception of working and employment conditions. The goal of the questionnaire is to forge links between two types of data: the causes and the effects felt. It aims to identify psychosocial risks and teams or individuals in a vulnerable situation.

Different questionnaires on the subject are used by specialist agencies or can be acquired by the company for internal use. These approaches must follow a strict methodology to guarantee anonymity, a good rate of participation, reliable responses and representativeness of the company's population.

### **Scorecard**

When drawing up the scorecard, it is important for the company to select a number of qualitative and quantitative indicators.

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### **Operating indicators**

Often the first signs of the presence of stress and psychosocial risks in the company are shown by individual and/or collective complaints. These complaints generally result in tension and/or problems concerning work and its organisation. We propose pinpointing them and grouping them into four sets:

1. Work constraints: tension between work objectives and the resources provided, between work requirements and autonomy, between the effort required and the recovery possibilities, between demands of the task and skills held, etc.
2. Employee's values and expectations: tension between work and out-of-work demands, between the employee's professional expectations and requirements in terms of company results, between efforts and rewards, etc.
3. Work-related changes: tension caused by rapid and/or successive technological changes and the learning time required, etc.
4. Relationships between groups and individuals: tension caused by hierarchical, inter-individual and group conflicts, etc.

### **Potential costs of carrying out performance measures**

A preliminary assessment, using employee survey methods to gather evidence can provide leverage for the success of the actions to be implemented. It is an investment which enables the company's real and specific problems to be identified and preventative action to be implemented. Potential expenses relating to these assessment approaches are:

- » Costs relating to the purchase of services using external service providers, consultants and prevention organisations.
- » Time costs linked to collecting and analysing data.



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# How to act towards promotion and prevention. What are the costs for these actions?

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## **Deployment of promotion and prevention actions**

Once the psychosocial risks have been detected and analysed, actions need to be implemented. Really long-term effects can be achieved only with comprehensive health promotion and prevention strategies. The combination and coordination of various interventions both on an organisational and individual level is essential for maintaining the mental health of employees.

Which of the following elements can be used or combined depends on the results of the diagnoses and the specific company requirements.

Some examples of organisational interventions:

- » Reorganise poor working processes.
- » Increase control over own work and empowerment.
- » Encouraging and strengthening social support.
- » Encouraging a participative management style.
- » Balancing efforts and rewards.

Actions at individual level can be distinguished by whether they aim to help employees manage stress. Training courses showing how to cope adequately or how to avoid stress, form the central element of this strategy, but relaxation techniques and exercise can also help reduce stress at work or assist employees already suffering from mental disorders. Here it is important for the employees, for example to have access to individual counselling (internal or external), in order to address mental health issues confidentially, or the organisation provides return to work schemes considering mental ill health in a proper way.

Finally, there are a whole range of current management and organisational practices which contribute to creating a good working climate. It can never be overemphasised to what extent these practices are the stable basis of a promotion and prevention policy. For example, regularly holding meetings, staff evaluations, continuing education and further trainings, etc.

## **What investments are necessary for these actions?**

Costs relating to promotion and prevention are linked to the design, implementation and evaluation of actions. For example:

- » the creation of employee awareness and communication tools
- » training of management in the subject
- » actions relating to work organisation, workload, skills, etc.

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A few points for attention when rolling out preventive actions:

- » The management's strong and long-term commitment to the approach.
- » Dialogue and involvement of unions and management from the outset of the approach.
- » Coordination of 'expert' and 'intermediary' players: occupational physician, social worker, safety experts, human resources department, management, etc.
- » Gradual roll-out of the action plan taking into account the often limited resources.
- » Analysis of tension based on real-life working situations.
- » Development of approach monitoring tools, which are particularly useful for assessing return on investment.
- » Provision of a dedicated budget...!

Company experiences and studies conducted in this field show that the success of a preventive approach does not only rely on a specific, one-off, isolated type of action (e.g. a training initiative, the implementation of a scorecard, improved communication, etc.), but on the construction of an overall strategic approach which implies roll-out over time with actions targeting the different levels.

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# The other risks to consider

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In addition to the financial aspect, there are several arguments in favour of the effective promotion and prevention of psychosocial risks:

## 1. Legal aspects

Compliance with European regulations has prompted corporate players to put their heads together. Furthermore, the obligation to assess risks requires the company to objectify the psychosocial risks and draw up an action plan relating to the issue using a single document.

Psychosocial risks may result in complaints being filed with tribunals, incurring hefty legal costs for the companies concerned. On top of the economic aspects linked to benefits paid in the case of being settled in favour of the plaintiff, the costs linked to this procedure itself must not be underestimated, whether legal assistance fees or the time linked to this course of action which is taken from the company's production.

Furthermore, case law sometimes links the liability of the company to behaviours such as suicide and moral harassment.

## Law case

In 2007 in France, the Court of Appeal accepted 'inexcusable misconduct' in the case of the suicide of an employee following an obvious decline of the employer/employee relationship. The consequences on the material front are significant: two increases in industrial accident premiums, the first following the classification as an industrial accident and the second following the acknowledgement of 'inexcusable misconduct'. Furthermore, the victim's family sued the company for other damage.

## 2. Corporate image

The resulting human cost of these disputes is also significant and can trigger a general malaise in the company and a 'spillover' effect. It can also cause a real dent in the brand image among the company's customers, shareholders, suppliers and future employees.

On the commercial and image front, it is therefore in the company's interests to take psychosocial risks seriously. A tarnished image of working conditions can make recruitment more difficult, accelerate turnover, affect the image of the product and the company in its environment and lead to checks carried out by inspection authorities, etc.

## 3. Industrial relations

Stress spillover phenomena, tension in inter-individual relationships, absenteeism due to stress – and the resulting disorganisation – affect industrial relations and leads to risks of conflict between unions or works council and management, slowing down of negotiations, strikes, etc. Conversely, the absence of dialogue between employers and trade unions or works council affects the quality of relationships and prompts the emergence or increase of stress phenomena.

## 4. Overall responsibility

Companies are increasingly involved in 'overall' actions combining social, financial and environmental issues, for example through social and environmental responsibility approaches. The attention given to psychosocial risks, factors such as work-life balance and the setting up of the health observatory can be successfully integrated into these approaches.

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[www.enwhp.org](http://www.enwhp.org)

The European Network for Workplace Health Promotion (ENWHP) was founded in 1996 by a number of organisations in the field of public health and occupational safety and health. Today, members from 31 European countries share the common vision 'Healthy Employees in Healthy Organisations'. In ongoing cooperation the ENWHP has developed uniform quality criteria and disseminates examples of good practice to elevate the importance of health at the workplace. The ENWHP Secretariat and the coordination of the 'Move Europe' campaign is based at the BKK Bundesverband in Essen, Germany.

The campaign '**Work. In tune with life. Move Europe**' is co-funded by the European Commission under the Public Health Programme 2003–08.



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