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# A guide to the business case for mental health





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Kronprinzenstraße 6  
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Authors: Benjamin Sahler, Amandine Dubois,  
Ségolène Journoud,  
Julien Pelletier (ANACT)  
Editor: Dr. Reinhold Sochert (ENWHP Sekretariat)  
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# 1. Introduction

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 suffer from stress and that stress accounts for over 50% of absenteeism in companies. This represented €20 billion in additional expenditure for the fifteen European Union countries in 2002.

## Facts and Figures

- 25 percent of European citizens will experience a mental health problem during their life time
- 27 percent 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 percent 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 Euro per year. Direct costs such as medical treatment account for less than half of this sum. The larger amount of 136 billion Euro 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: cre-

ativity, 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 well-being of individuals.

But psychological well-being 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 well-being 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 well-being 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?

Schematically, the company is faced with one of two scenarios when psychosocial risks are present:

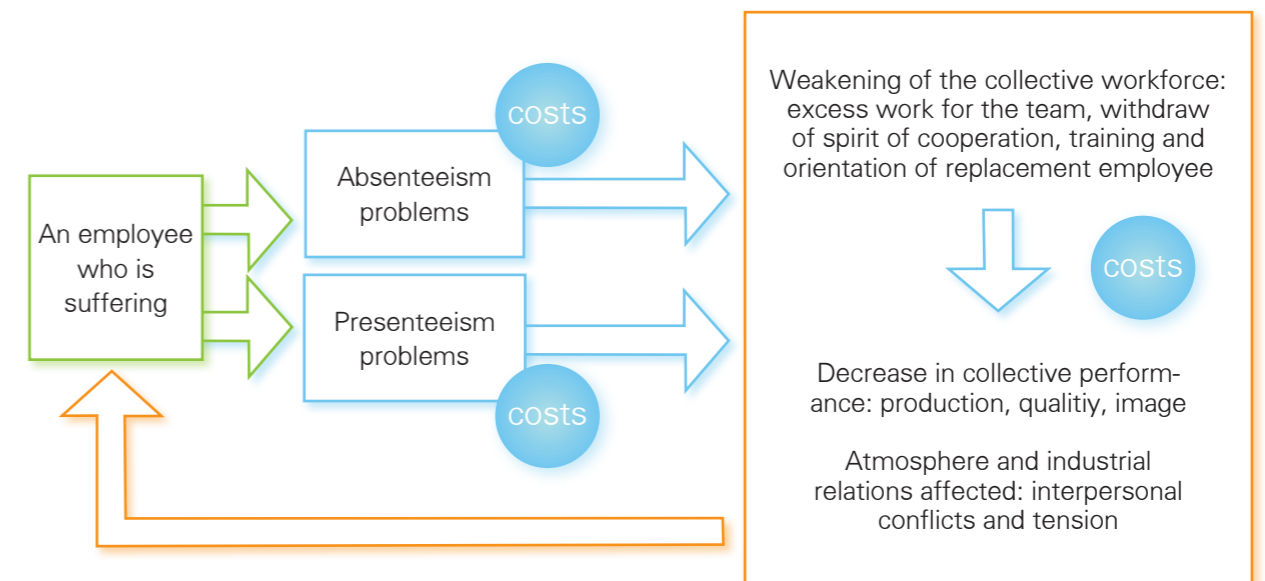
- Either the company has no knowledge or awareness of these risks. It does nothing to solve them, which has economic, as well as social and human consequences at various levels.
- Or the company decides to tackle the problem by identifying, resolving and preventing these

risks. By taking this action, it hopes to cut costs. In this case, the company will spend more but the investment will produce a positive effect in the long run. We will outline and compare these two economic strategies.

Finally, we will also briefly explore aspects which are not directly economic (legal, social, commercial, etc.) but which are closely related to the strategic decision about whether or not to take action.

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

An employee who is suffering costs the company...



## The vicious circle 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. The deterioration on several levels runs the risk of generating psychological ill-being 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 and if the conditions are not met to ensure a more positive environment when work is resumed, this could turn into longer term sick leave, or 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.

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 onto his or her colleagues, causing extra work all round. A "spill over" of stress onto 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:

- 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	Benefits paid to the absent employee Professional health insurance contributions Overtime for colleagues	Management and human resources' time
	Replacement of absent employee	Job advert fees and temporary staff agency fees Extra salary costs for insecure jobs	Recruitment, training and apprenticeship time Extra work for colleagues during the transitory period Slowing of pace/decline in results
Linked to presenteeism	Drop in productivity	Penalties linked to extended deadlines	More errors Reduced quality
	Risks linked to a decline in collective and interpersonal relationships (harassment, conflicts with management, etc.)	Legal fees: lawsuits and grievances	Drop in innovation Loss of ability to win a market / satisfy clients Management's time spent on adaptations within the team
	Stress-related industrial accidents	Increase in costs of resulting absenteeism Increase in work insurance premiums Rise of benefits for work stoppages	Tarnished image for clients / group Reduced attractiveness of company Management and human resources' time

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

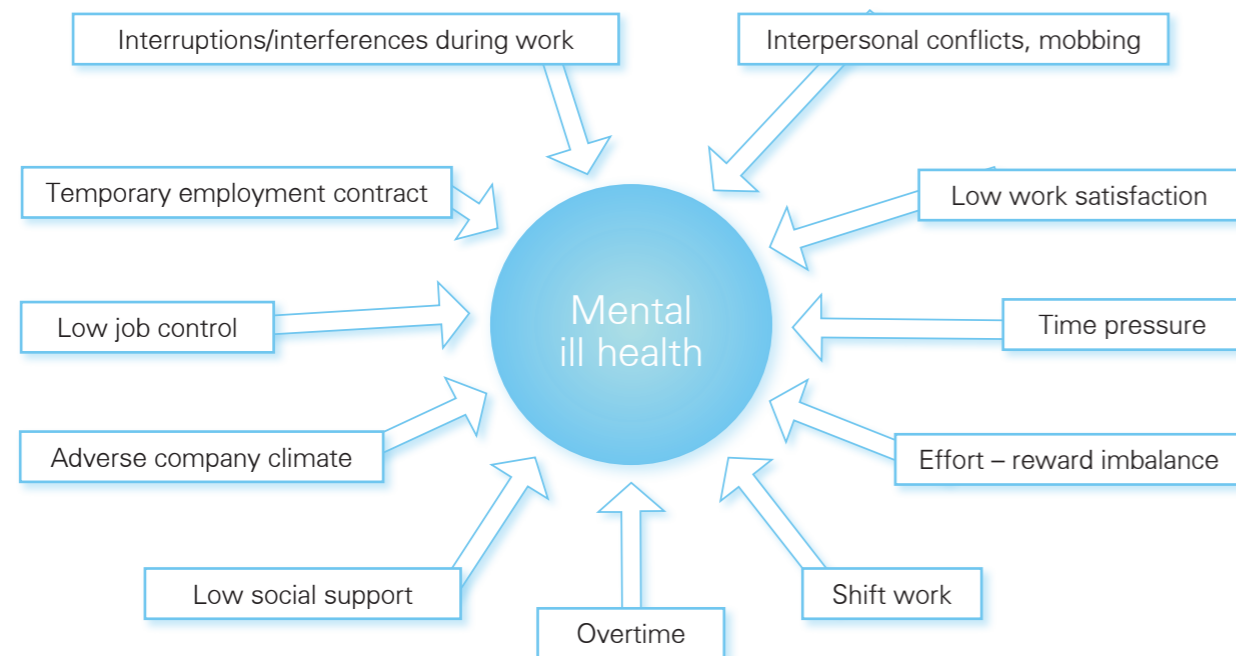


### 3. Assessment of the situation: How to go about it? How to assess costs?

#### 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:

- 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.



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.

- Or it can set up a “scorecard approach” based on existing data, with specific indicators to be chosen according to the context. This approach would enable it to organise a surveillance and warning procedure in the long-term.

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

#### “Stress and psychosocial risk questionnaire”

These questionnaires suggest jointly measuring the medical condition 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.

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.

#### Health and safety indicators

These indicators are often the most accessible and allow the risks of stress and the related symptoms to be objectified to a certain extent, e.g. pathologies, consumption of medication, data from occupational physician’s reports, etc.

The implementation of such a scorecard with its qualitative and quantitative aspects involves specific knowledge and resources. Working conditions specialists will provide useful expertise to the company in addition to that it has acquired internally.

#### “Scorecard”

When drawing up the scorecard, it is important for the company to select a number of qualitative and quantitative indicators which apply to its business rather than constructing a “house of cards” system which is complex to develop and fairly inefficient in the long run. To do this we propose to distinguish between operating and health and safety indicators:

#### 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 4 sets:

#### What are the costs of these assessments?

These preliminary assessments, either based on the questionnaire or the scorecard approach, despite being costly and time and energy consuming, provides leverage for the success of the actions to be implemented. Much more than an expense, it is an investment which enables the company’s real and specific problems to be identified and prevention action to be organised. The main 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.

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



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

### 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 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, e.g. 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 organisation 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 pol-

icy, 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.

### 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.

## 5. The other risks to consider

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

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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.  
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### 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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#### European Network for Workplace Health Promotion – ENWHP

The European Network for Workplace Health Promotion 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 co-ordination of the "Move Europe" campaign is based at the BKK Bundesverband in Essen, Germany.

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