

Promoting mental wellbeing at work

Business case

Implementing NICE guidance

November 2009

This business case report accompanies the public health guidance: 'Promoting mental wellbeing through productive and healthy working conditions: guidance for employers' (available online at www.nice.org.uk/PHXX).

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This guidance is written in the following context

This report represents the view of NICE, which was arrived at after careful consideration of the available data and through consulting healthcare professionals. It should be read in conjunction with the NICE guidance. The report and templates are implementation tools and focus on those areas that were considered to have significant impact on resource utilisation.

The cost and activity assessments in the reports are estimates based on a number of assumptions. They provide an indication of the likely impact of the principal recommendations and are not absolute figures. Assumptions used in the report are based on assessment of the national average. Local practice may be different from this, and the costing tool can be amended to reflect local practice to estimate local impact.

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Executive summary

This business case report looks at the costs associated with mental wellbeing in the workplace and the potential savings achievable by implementing steps to improve the management of mental health in the workplace.

It uses the most accurate data available and was produced in conjunction with the technical team at NICE and consulted on with external experts.

Supporting implementation

The NICE public health guidance on promoting mental wellbeing at work is supported by a range of implementation tools available on our website www.nice.org.uk/PH22 and detailed in the main body of this report.

Cost impact

Costs and savings

It is not possible to quantify the direct costs and potential savings to employers by implementing this guidance. However, evidence suggests investment in healthy working practices and the health and wellbeing of employees improves productivity and is cost effective for business and wider society (Boyd et al. 2007).

The cost of mental ill health to employers in the UK is significant, estimated at £25.9 billion in 2006 (or £28.3 billion at 2009 pay levels). Positive steps in line with guidance recommendations to improve the management of mental health in the workplace, including prevention and early identification of problems, should enable employers to save at least 30% of this cost – around £8 billion a year (Sainsbury Centre for Mental Health 2007).

Using the assumptions and unit costs outlined in this report, the annual cost of mental ill health to an organisation with 1000 employees is estimated to be £835,355. Improving the management of mental health in the workplace, including prevention and early identification of problems could produce annual savings of £250,607.

Benefits and savings

Implementing the public health guidance may bring the following benefits:

- increased productivity
- reduced costs associated with temporary recruitment
- improved staff retention
- reduced payments to cover employee absence, for example occupational sick pay.

Improving the mental wellbeing of employees may result in other, less tangible benefits (for which it is not possible to calculate a material cost or saving).

Possible examples are:

- enhanced reputation of the organisation
- improved staff morale leading to higher productivity.

Implementing the guidance may also result in additional savings and benefits to the wider society. It is recognised that being employed can help improve a person's health and wellbeing and reduce health inequalities (Department for Work and Pensions 2005; Department of Health 2004; Health, Work and Wellbeing Programme 2008; Waddell and Burton 2006). Conversely, unemployment is linked to higher levels of mortality and psychological morbidity (McClean et al. 2005).

1 Introduction

1.1 *Supporting implementation*

1.1.1 The NICE public health guidance on promoting mental wellbeing at work is supported by the following implementation tools available on our website www.nice.org.uk/PHXX:

- costing tools
 - a business case report; this document
 - a local costing tool; a simple spreadsheet that can be used to estimate the local cost of implementation
- a slide set; key messages for local discussion
- guide to resources

1.1.2 A practical guide to implementation, 'How to put NICE guidance into practice: a guide to implementation for organisations', is also available to download from the NICE website. It includes advice on establishing organisational level implementation processes as well as detailed steps for people working to implement different types of guidance on the ground.

1.2 *What is the aim of this report?*

1.2.1 This report shows the costs of mental ill health to UK employers and the savings that could be made by implementing steps to improve the management of mental health in the workplace.

1.2.2 This report does not reproduce the NICE guidance on promoting mental wellbeing at work and should be read in conjunction with it. A version of the guidance for small and medium sized business' is also available (see www.nice.org.uk/PH22).

1.2.3 It is suggested that organisations make use of the excel costing tool that accompanies this report. The tool allows individual organisations to estimate the cost of mental ill health for their workforce and estimate potential savings

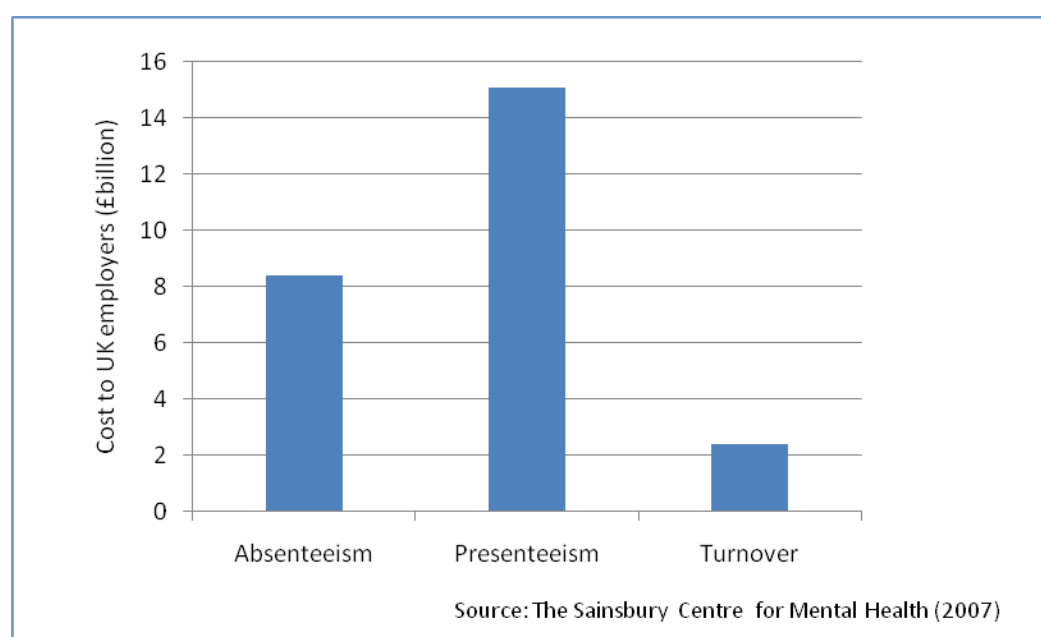
1.3 *National costs of mental ill health to UK employers*

1.3.1 The annual economic costs of sickness absence and worklessness associated with working age ill-health are estimated to be over £100 billion (Working for a healthier tomorrow, 2008).

1.3.2 The annual cost of mental ill health to employers in the UK is significant, estimated at £25.9 billion in 2006 or £28.3 billion at 2009 pay levels (Sainsbury Centre for Mental Health 2007). The £25.9 billion can be broken down as follows (see figure 1):

- £8.4 billion a year for sickness absence, 40% of sick days are for mental health problems.
- £15.1 billion a year for reduced productivity at work.
‘Presenteeism’ accounts for 1.5 times as much working time lost as absenteeism and is more common among higher-paid staff. It is the loss in productivity when employees who work when ill and perform at a lower level because of their illness (Cooper and Dewe 2008).
- £2.4 billion a year for turnover, replacing staff who leave their jobs because of mental ill health.

Figure 1 Estimated costs of mental ill health to UK employers



- 1.3.3 Positive steps in line with the guidance recommendations to improve the management of mental health in the workplace, including prevention and early identification of problems, could enable employers to save at least 30% of these costs – around £8 billion a year (Sainsbury Centre for Mental Health 2007).

2 Costs of mental ill health for the employer

2.1 Absenteeism

- 2.1.1 The main causes of long-term sickness absence (defined as a continuous period of absence from work lasting 4 weeks or more) among manual workers are acute medical conditions, followed by back pain, musculoskeletal conditions, stress and mental health problems (Chartered Institute of Personnel and Development [CIPD] 2008).
- 2.1.2 Among non-manual workers, stress is the number one cause of long-term sickness absence, followed by acute medical conditions, mental health problems such as anxiety and depression, musculoskeletal conditions and back pain (CIPD 2008).

2.1.3 The average annual number of days sickness absence (all causes) per employee is estimated at 8 days (CIPD 2008), although this varies depending on the workforce size; see figure 2.

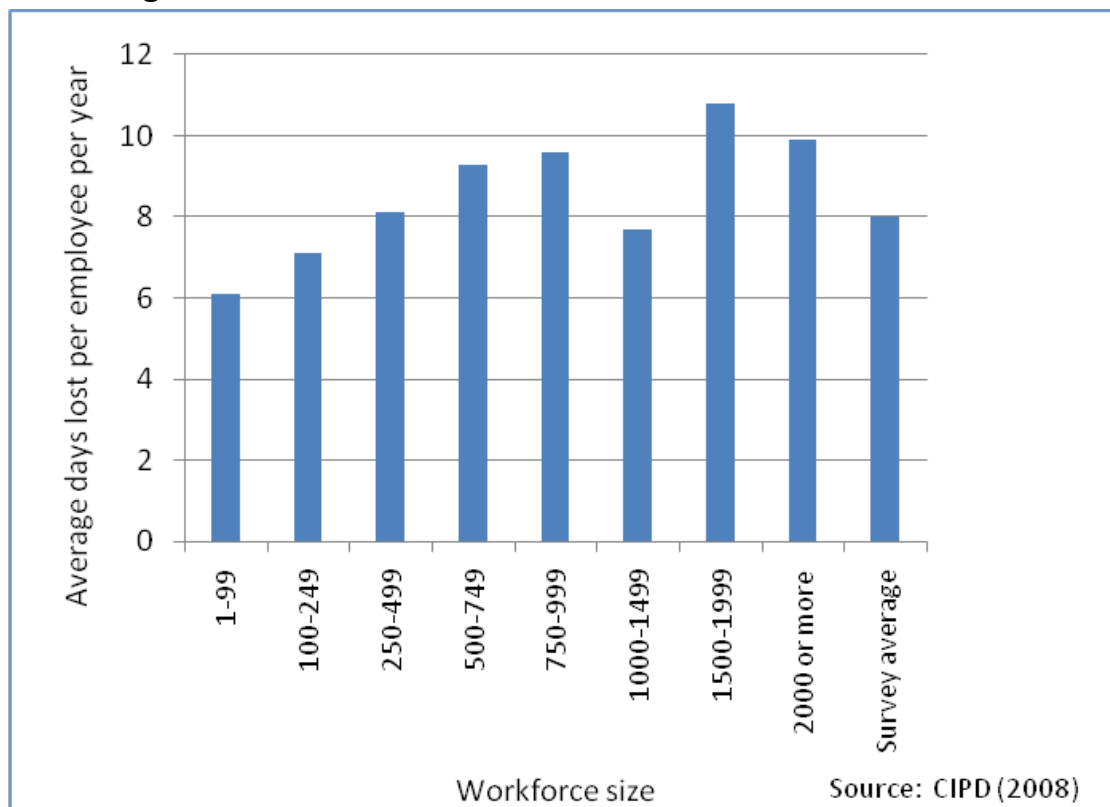
2.1.4 The proportion of sickness absence attributable to mental ill health in the UK varies between 37.5% and 44% in published papers (table 1).

Table 1 Proportion of sickness absence attributable to mental ill health in the UK

Source	Proportion (%)
Chartered Institute of Personnel and Development	40
Confederation of British Industry/AXA	37.5
Singleton et al (2001)	44
Average	40.5

2.1.5 In this report we have assumed that the proportion of sickness absence attributable to mental ill health is 40.5%.

Figure 2 Average annual number of sick days (all causes) per employee according to workforce size



2.1.6 Assuming a workforce of 1000, with each employee having an average of 8 sick days a year, around 3240 sick days can be attributed to mental ill health (see table 2).

Table 2 Estimated annual number of sick days attributable to mental ill health in an organisation with 1000 employees

Workforce size	1000
Average annual number of sick days per employee (all causes)	8
Estimated total sick days	8000
Estimated proportion of sick days attributable to mental ill health	40.5%
Estimated annual number of sick days attributable to mental ill health	3240

2.1.7 The financial cost to the employer of sickness absence is likely to vary between organisations. The CIPD survey (2008) reported the average cost per employee to be £666. Assuming an average 8 sick days a year per employee, the cost per day can be estimated at £83.25.

2.1.8 Assuming a cost of £83.25 per day off sick, for an organisation with 1000 employees, the annual cost of sickness absence attributable to mental ill health is estimated at £269,730 (3240 × £83.25).

2.2 Presenteeism

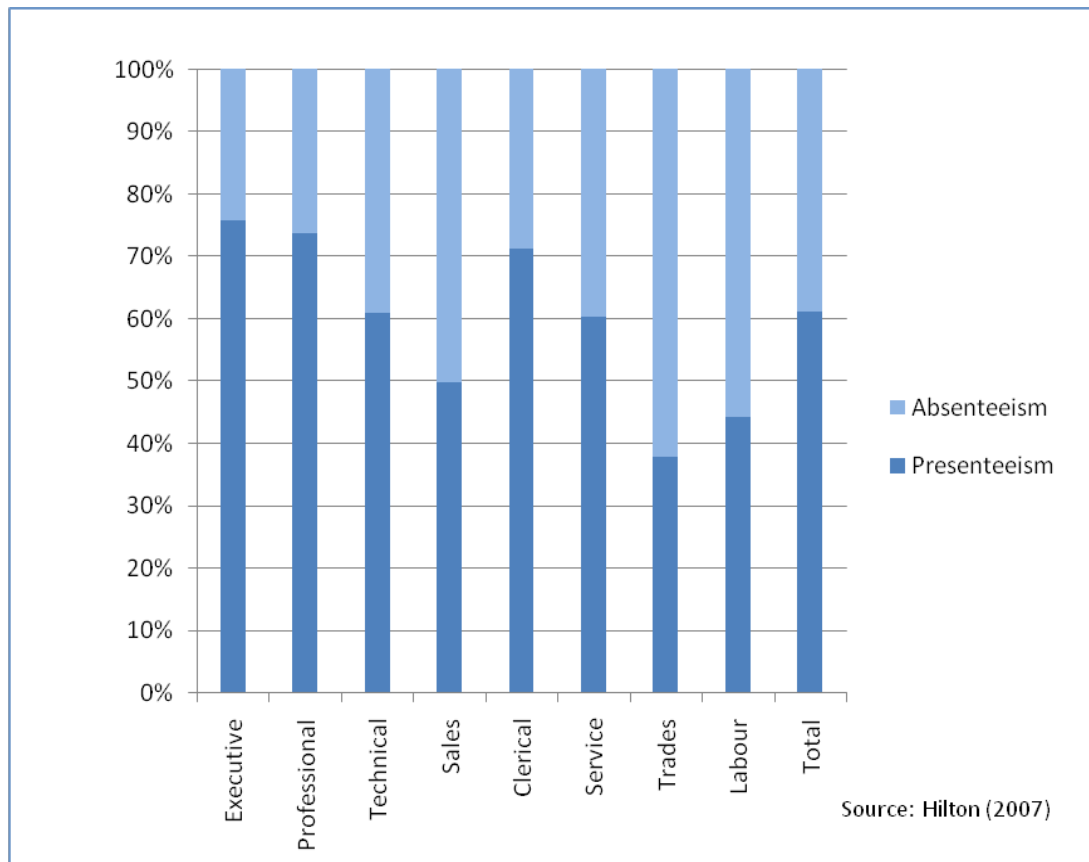
2.2.1 Evidence suggests that mental ill health may result in presenteeism rather than absenteeism (Goetzal et al). Employees may be concerned about the stigma related to mental ill health and attend work when they are not fit to do so.

2.2.2 The costs associated with presenteeism are difficult to quantify. The employee may be at work but is not working at their full capacity. The costs associated with absenteeism however are more obvious. 100% of the employee's productivity is lost each day the employee is off sick.

2.2.3 Data from the UK reporting on the costs of presenteeism attributable to mental ill health are not available, but data are available from North America and Australia.

- 2.2.4 In the USA Goetzel et al. (2004) examined 'depression and other mental illnesses'. They reported that productivity losses caused by presenteeism associated with mental ill health are 5.1 times the equivalent losses resulting from absenteeism.
- 2.2.5 In another US study Stewart et al. (2003) reported the costs relating to lost productive time among employees with depression. They found that presenteeism accounted for 4.6 times as many hours lost as absenteeism.
- 2.2.6 Caution is required when applying data from North America to a UK population because of differences in occupational sick pay between the two countries. A smaller proportion of workers in the USA receive occupational sick pay compared with the UK. It is likely therefore that employees would be more likely to attend work when they are ill if they don't receive occupational sick pay.
- 2.2.7 The Sainsbury Centre for Mental Health (2007) estimated that presenteeism attributable to mental health in the UK accounts for 1.5 times as many working days lost as absenteeism. However, they emphasised that this assumption 'is subject to a wide margin of error'.
- 2.2.8 In this report we have assumed that presenteeism attributable to mental health in the UK accounts for 1.5 times as many working days lost as absenteeism (as reported by the Sainsbury Centre for Mental Health 2007), but we note this assumption is subject to significant uncertainty.
- 2.2.9 Data from Australia (Hilton 2007) suggest that the balance between presenteeism and absenteeism appears to vary between occupations. Hilton investigated productivity losses caused by absenteeism and presenteeism in men with a high Kessler 6 score in different occupations (the Kessler 6 scale measures non-specific psychological distress); see figure 3.

Figure 3 Productivity losses for men with a high Kessler 6 score in different occupations



2.2.10 The data presented by Hilton suggest that higher paid men (executive and professional) have less absenteeism compared with lower paid bands, but more presenteeism.

Table 3 Estimated annual number of working days lost through presenteeism attributable to mental ill health in an organisation with 1000 employees

Workforce size	1000
Estimated annual number of sick days attributable to mental ill health	3240
Estimated ratio of presenteeism to absenteeism	1.5
Annual working days lost through presenteeism	4860

2.2.11 In this report we have assumed the cost for each day lost through presenteeism is £100 which is an uplift of 20% from the cost per day of absenteeism. This is based on information provided by the Sainsbury Centre for Mental Health, although it may be reasonable to increase this figure for individual organisations. Assuming that an organisation of 1000 employees would have 4860 working days lost attributable to presenteeism each year, the annual cost can be estimated at £486,000.

2.3 Staff turnover

2.3.1 Staff turnover is usually because of promotion outside of the organisation or a change of career (CIPD 2009). It would seem reasonable to assume that mental ill health in the workplace could contribute to staff turnover levels.

2.3.2 The staff turnover rate in 2008 was reported to be 15.7% lower than the previous year's turnover rate of 17.3% (CIPD 2009). Limited data are available however on the proportion of staff turnover attributable to mental ill health.

2.3.3 The CIPD annual survey (2009) on recruitment, retention and turnover includes a section on the key reasons for staff turnover. 'Stress of job/role' was given as one of the key reason for turnover by 8% of employees; a further 15% cited 'ill health – other than stress'.

2.3.4 In this report we have assumed that 8% of staff turnover is attributable to stress of the job/role; see table 4.

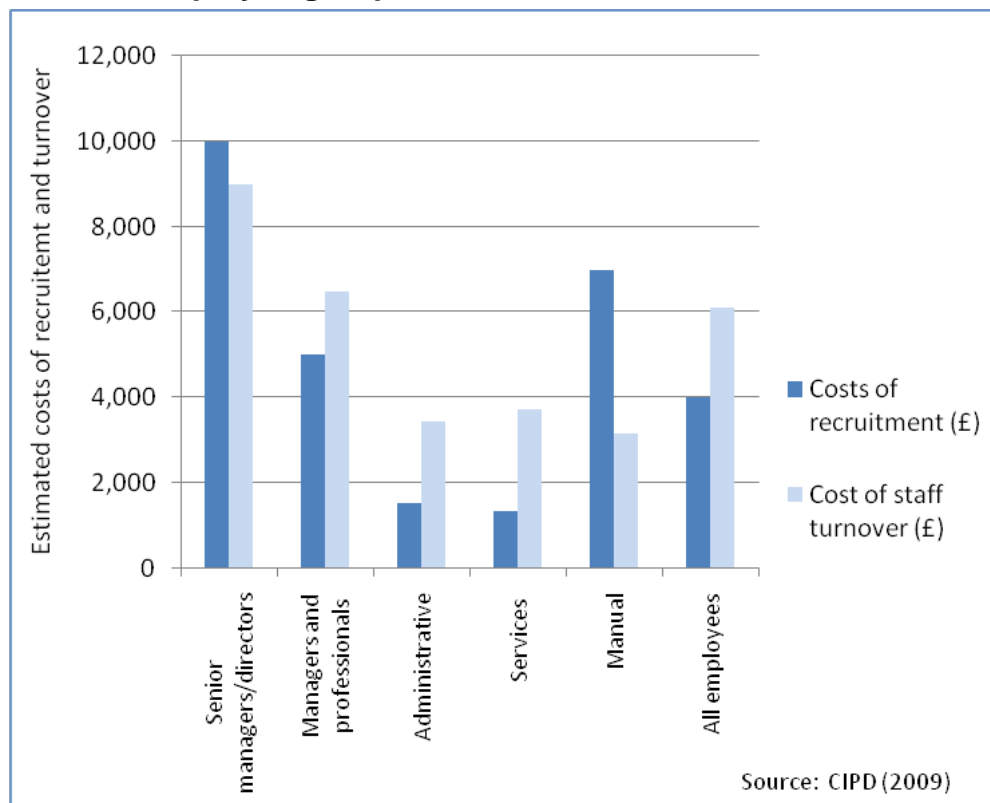
Table 4 Estimated annual staff turnover attributable to mental ill health in an organisation with 1000 employees

Workforce size	1000
Estimated annual staff turnover	15.7%
Annual staff turnover	157
Estimated proportion attributable to stress	8%
Annual staff turnover attributable to stress	13

2.3.5 Using the assumptions given in table 4, for an organisation with 1000 employees, the annual staff turnover attributable to stress is 13.

2.3.6 The costs associated with turnover are difficult to quantify and are likely to vary among organisations. In figure 5 the cost of staff turnover for senior managers/directors is reported at £9000, reducing to £3150 for manual workers. The average cost of staff turnover for all employees is estimated at £6125.

Figure 4 Estimated costs of recruitment and turnover per employee for different employee groups



Costs of recruitment include advertising costs, agency or search fees.

Costs of turnover include vacancy cover, redundancy costs, recruitment selection, training and induction costs.

2.3.7 Assuming that for an organisation with 1000 employees the annual staff turnover attributable to mental ill health is 13 and the average cost is £6125, the cost to the organisation can be estimated at £79,625.

2.3.8 Implementing a strategic and coordinated approach to promoting the mental wellbeing of employees may help improve staff retention and reduce the costs associated with staff turnover. This approach may also enhance the reputation of the organisation and enable it to attract new talent.

2.4 *Estimated costs and savings for an individual organisation*

2.4.1 Using the assumptions and cost estimates in this report, the costs of mental ill health for an organisation with 1000 employees is estimated at £835,355, equivalent to almost £1000 for each employee.

2.4.2 It is not possible to estimate the costs or savings associated with implementing the NICE public health guidance on promoting mental wellbeing at work; the costs and savings will vary significantly among individual organisations.

2.4.3 We used the estimate made by the Sainsbury Centre for Mental Health showing that positive steps in line with the guidance recommendations to improve the management of mental health in the workplace, including prevention and early identification of problems, can result in savings of 30%. We estimated that savings of £250,607 are possible for an organisation with 1000 employees.

3 Costing tool

- 3.1.1 The costing tool that accompanies this report is designed to help individual organisations assess the cost of mental ill health for their workforce, and estimate potential savings. Individual organisations can change the figures to reflect their own workforce size and update the unit cost figures.
- 3.1.2 The tool may be useful for organisations putting together a business case for investment to help them improve the management of mental health within their organisation.

4 Conclusion

- 4.1.1 The cost of mental ill health to employers in the UK is significant, estimated at £25.9 billion per year (£28.3 billion at 2009 pay levels). In this report we have estimated the cost to be almost £1 million per year for an organisation with 1000 employees.
- 4.1.2 Positive steps to improve the management of mental health in the workplace, including prevention and early identification of problems, could result in cost savings of 30%. In an organisation with 1000 employees, this is equivalent to cost savings of £250,607 a year.

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