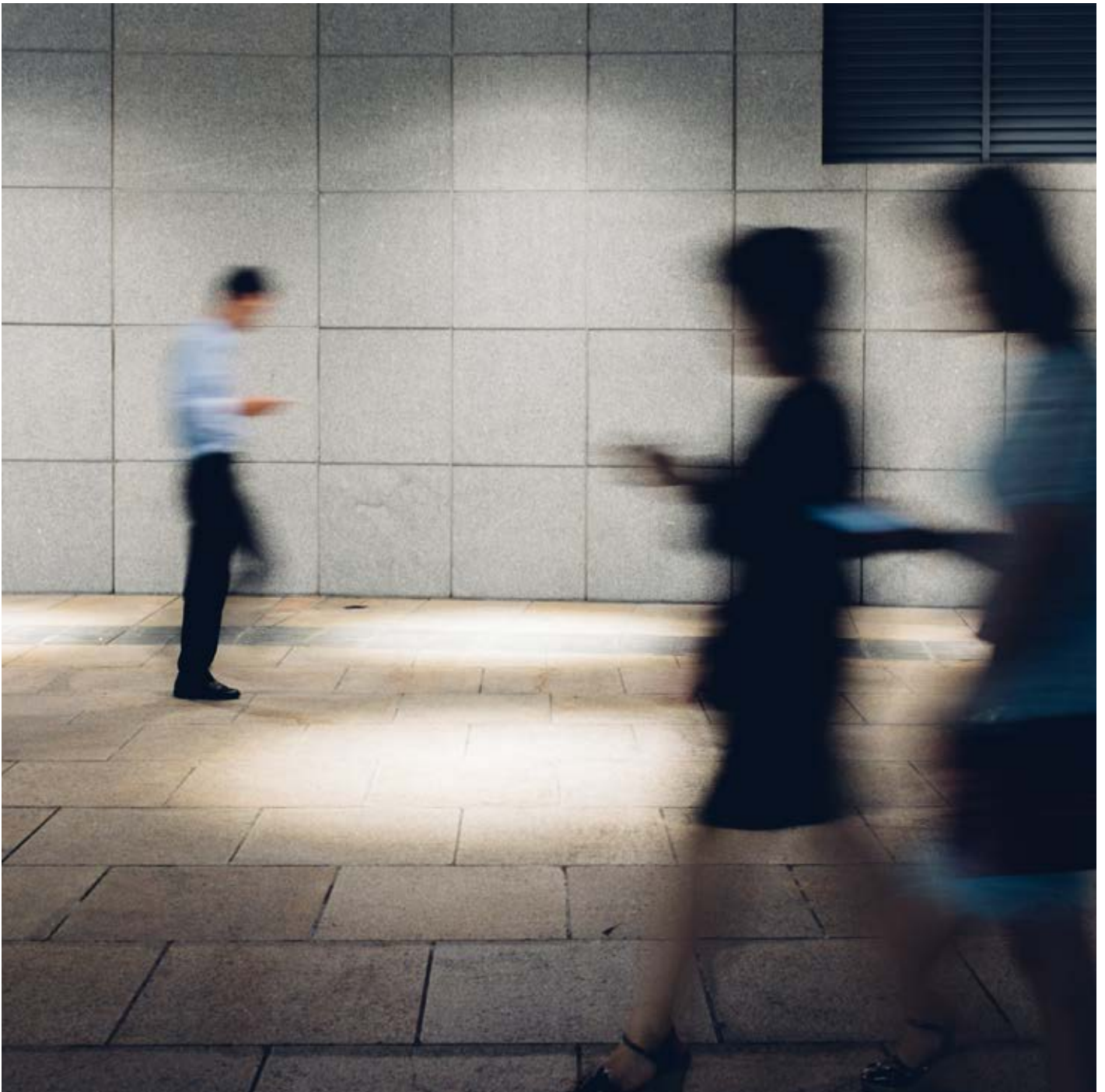


The cost of mental ill health for employers in Hong Kong

JANUARY 2019



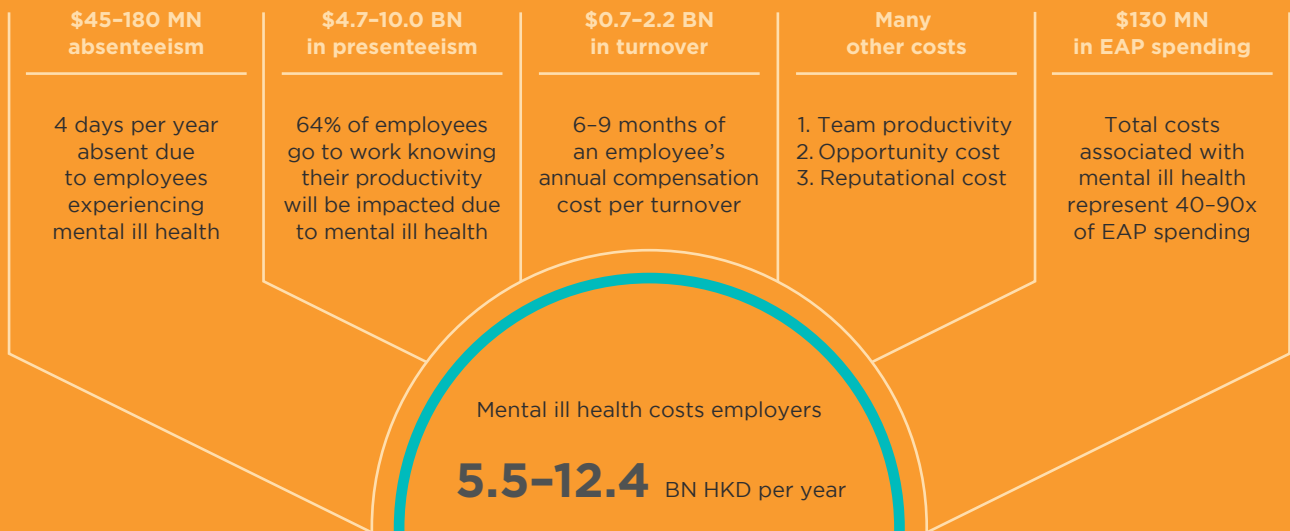
Executive Summary

Mental ill health within the professional services industry in Hong Kong is a concern. However, little is known about the cost of mental ill health to the economy. The City Mental Health Alliance Hong Kong and Oliver Wyman have collectively piloted an effort based on available data to estimate

the potential size of the issue and the cost to business. The aim of the report is to raise understanding and awareness, encourage employers to consider putting in place appropriate measures to support employee mental health and encourage further research and debate.

Mental health - a priority for professional services employers in Hong Kong


The price of mental ill health to employers




The pay-off for investing in mental health support programs

Return on investments



 In Japan average ROI of 3.7:1

 In Australia average ROI of 2.3:1

 In the UK average ROI of 4.2:1

Proven implementation



77% employees who used EAP services claimed that EAP has improved their health

however,



Only 24% of employers offer EAP services in Hong Kong

Introduction

Mental ill health within the professional services industry in Hong Kong is being recognized as an increasingly pertinent issue, and it is costing employers in the form of both direct (and known) costs as well as hidden costs.

According to our proprietary survey conducted in 2018, 25% of professional employees have experienced mental ill health with their current employer, and 23% have experienced mental ill health in the past year. These findings are consistent with other research. A Mental Health of the Workforce Survey conducted by the University of Hong Kong in 2014 has suggested that 24% of respondents felt “depressed”, 31% having been “worried”, and 32% having “lost interest in work in the past month” – all of which could be considered as proxy indicators for the poor mental health of employees.

It is important that employers in Hong Kong have a full understanding of the organizational costs associated with mental ill health, and the benefits of supporting a culture of good mental health within the workplace. While it is easy to find news headlines about employees dealing with work-related stress, there seems to be a gap in research into the costs and benefits of the subject specifically for Hong Kong.

This paper intends to provide employers with an objective view of the magnitude of the effect caused by mental ill health, and to help employers appreciate the potential benefits for putting in place of appropriate prevention and intervention measures.

As a pilot effort, we have leveraged a sample of our proprietary survey data and available public data to put together a rough estimation of the associated costs. The intention is

to provide employers with a directional perspective of the magnitude of mental ill health; while we believe more work should be done together with related parties to further improve the accuracy of the estimation.

While employers tend to track employee wellbeing costs such as investments into employee assistance programs (EAP) and are aware of the costs associated with absenteeism, some costs may not be recognized. This report aims to highlight the full set of costs associated with mental ill health in the workplace (see Figure 1):

Costs for programs sponsored by employers:

This refers to the costs for various employee wellbeing programs such as EAP that employers consciously sign up for.

“Unintentional” human resource costs:

This covers salary and other human resource costs paid for but not generating optimal or target return, including absenteeism (where employees are unable to report to work due to mental ill health); presenteeism (where employees report to work despite mental ill health and are unable to perform at prime¹); as well as turnover costs (related to lost productivity in transition and direct expenditure for recruiting replacements). These costs tend to be quantifiable and hence are the focus of our study.

Other “unintentional” costs: These cover a broad set of related costs, such as lost revenue opportunities on the back of sub-optimal employee performance, negative drag to team productivity, as well as intangible effect such as reputational damage in case of events. Due to the lack of credible data, we have not quantified these costs as part of this study.

1 It could be the case where an individual experience either absenteeism or presenteeism at different points of their life

Visible and hidden costs associated with employees' mental ill health

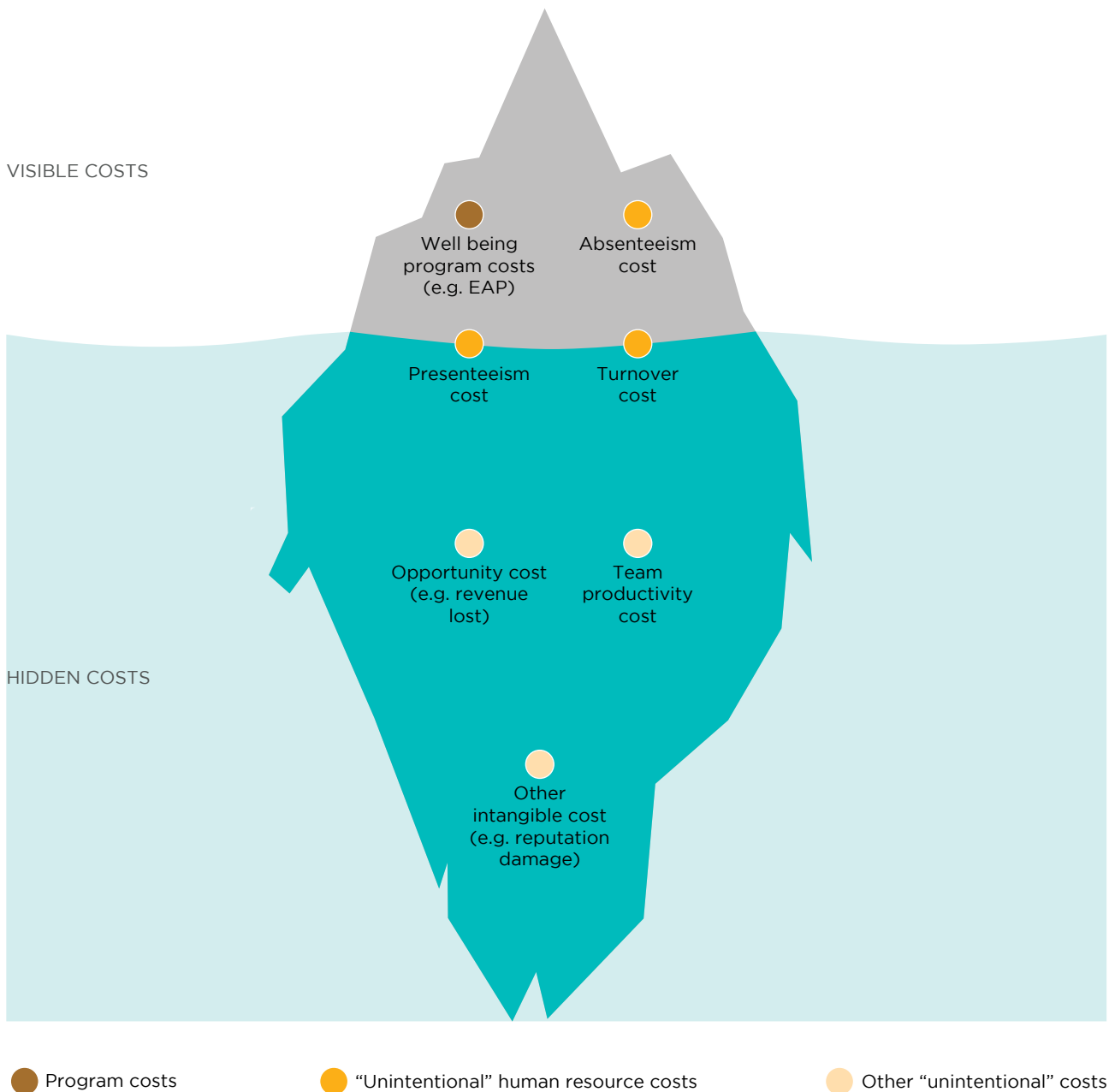


Figure 1
Source Oliver Wyman

This report represents an attempt to quantify the cost of mental ill health for professional services employers in Hong Kong. Calculations in the report are based on a set of assumptions made from available data, all of which are outlined below and in the appendix. We recognise that there are methodological limitations, including extrapolations from selected

survey data that is not representative of all employees. As more data becomes available, methods and calculations will be reviewed to strengthen calculations. We welcome feedback and reflections on the report. In addition, we invite companies to provide data and information to further refine calculations and assumptions for future improvements.

“Price” of inadequate interventions for mental ill health

We estimate the total costs associated with mental ill health for employers within the professional services industries ranges from HKD 5.5 to 12.4 billion per year, for cost items quantified in this report. To put the numbers in context, this is equivalent to ~HKD 1 million per organization on average, with a huge range depending on the size of the professional firm involved.

The total cost associated with mental ill health to employers is high, especially when this is compared to the amount employers spend on employee assistance programs (EAP). This report estimates total

overall EAP spend by professional services firms in Hong Kong amounts to around HKD 130 million per year. This means the total cost to employers for costs associated with mental ill health is 40–90 times the amount spent on EAP.

It is important to note that we have not quantified other costs related to mental ill health, such as the productivity drag to teams and opportunities forgone on the back of mental ill health, due to lack of available data. The actual price for employers could be even higher than we have quantified as part of this report.

Total cost associated with mental ill health and EAP spending for employers in Hong Kong

Estimated cost for employers per year; HKD MN

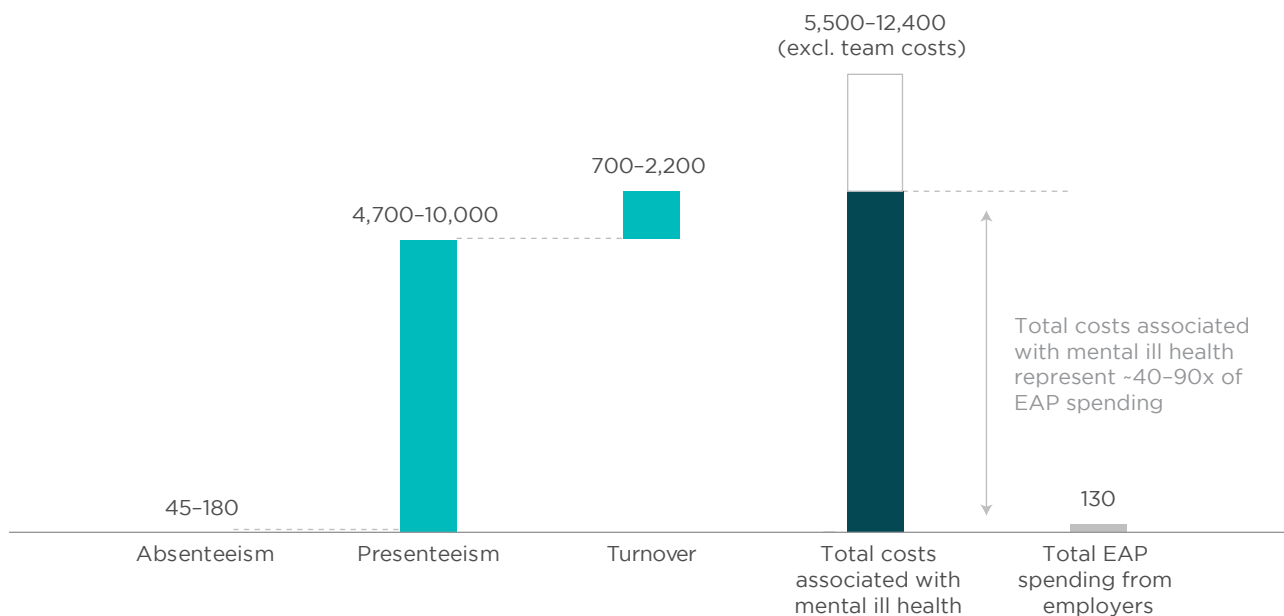


Figure 2

1. Team cost not quantified and not included in total mental health cost

2. Estimation based on Mercer data

Source CMHA HK; Hong Kong Annual Digest of Statistics; Bupa; AIA Vitality; Mercer; Oliver Wyman analysis

Absenteeism cost

This report estimates that the cost of absenteeism due to mental ill health in Hong Kong ranges from HKD 45 MN to 180 MN, accounting only for ~1% of overall costs associated with mental ill health. This means that employers are typically only recognizing a small fraction of the total costs.

The key driver for such low absenteeism cost is that very few employees are comfortable with being absent from work for mental health reasons. According to our recent survey, only 15% of employees who have experienced mental ill health in the past 12 months would consider not going to work while knowing they are not well. Even for those who considered to taking leave from work, absent days reflect only a very small portion of the overall working days.

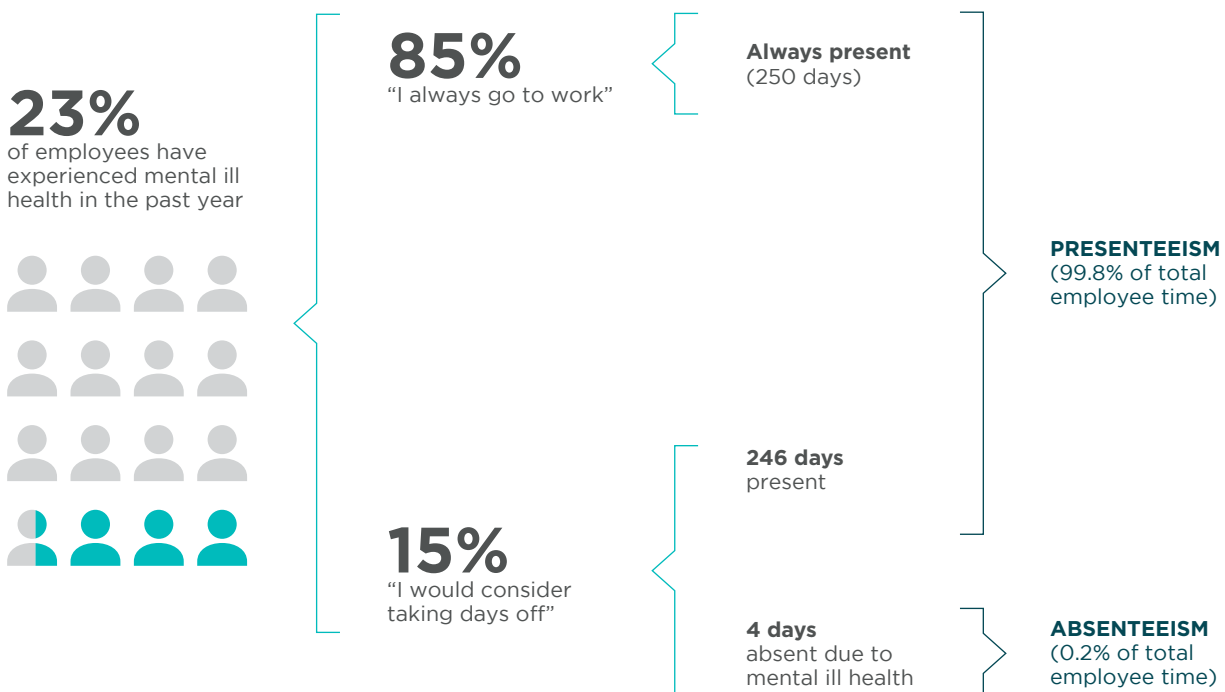
The stigma attached to mental ill health could potentially contribute towards employees feeling uncomfortable expressing mental ill

health in the workplace and taking time off. Our survey shows that 43% of respondents know of someone that has experienced stigma relating to mental ill health, along with 12% of respondents having experienced stigma themselves. Furthermore, 52% respondents have not shared their experience of mental ill health with colleagues.

Such observations are also suggested by other research – a Bupa survey in 2017 recorded a total of only 5 working days of absenteeism for employees, while AIA's Vitality recorded 6.5 days for the same period. According to Bupa's survey, 68% of employees would still go to work despite feeling physically or mentally ill. This confirms the large pressure in Hong Kong to still go to work regardless of the type of ill health experienced. This reconciles with our survey findings as respondents indicated that they tend to go to work even with mental ill health as they "feel embarrassed and it seems like an excuse" and are "afraid of receiving bad comments from bosses and colleagues".

Occurrence of absenteeism vs. presenteeism in Hong Kong

Breakdown of absenteeism and presenteeism due to mental ill health



Source CMHA HK Survey (2018); Oliver Wyman analysis **Figure 3**

Presenteeism cost

To assess costs, it is important to examine “presenteeism” costs as well as absenteeism. Presenteeism refers to the practice of going to work despite ill health or injury and is often associated with decreased productivity.

Data indicates that the costs associated with presenteeism may be high. Costs are also often hidden, and may be over-looked by employers.

Data from the CMHA HK and Oliver Wyman Survey of employees indicated that 85% of employees report that they will always go to work, despite mental ill health. The impact of this is a presenteeism cost that ranges between HKD 4.7 BN – 10.0 BN, representing ~80% of costs associated with mental ill health quantified in this report.

Moreover, the survey indicated that 64% of professional services employees experiencing mental ill health will always go to work despite knowing their productivity will be impacted. This produces a weighted average of 55–60 days of presenteeism associated with mental ill health per employee, per year.

Our findings are supported by similar research. AIA’s Vitality survey recorded that of 70 days lost due to presenteeism and absenteeism (for physical and mental illness) on average per employee in Hong Kong, 63.5 days (91%) can be attributed to presenteeism. Similarly, Bupa shows a total of 64 days (93%) lost due to presenteeism out of 69 absenteeism and presenteeism days (also for both physical and mental illness). The similarity between AIA’s and Bupa’s independent findings also speaks out to the severity of presenteeism in Hong Kong.

Underestimation by employers

Employers are also likely to severely underestimate the rate of presenteeism for their employees. Bupa’s survey indicates 64 presenteeism days as reported by employees, however, employers underestimated this figure by 70% with a prediction of only 19 presenteeism days in one year.

Middle management is most susceptible to “presenteeism”.

The data also indicates a high occurrence of presenteeism among middle ranked employees. Our survey shows that 69% of respondents in middle ranks experienced symptoms related to mental ill health within the past two weeks, along with middle management having ~10 more presenteeism days (~70) compared the average of 55-60. This is also supported by Bupa’s survey, which shows that 71% of middle management respondents reported to having engaged in presenteeism, 16% higher than management level colleagues, and 5% higher than general staff.

This translates into high presenteeism costs for middle management – this report estimates that middle management accounts for ~50% of total presenteeism costs in Hong Kong (See Figure 4).

Share of presenteeism costs by employee of different ranks

Estimated cost; % of total presenteeism cost

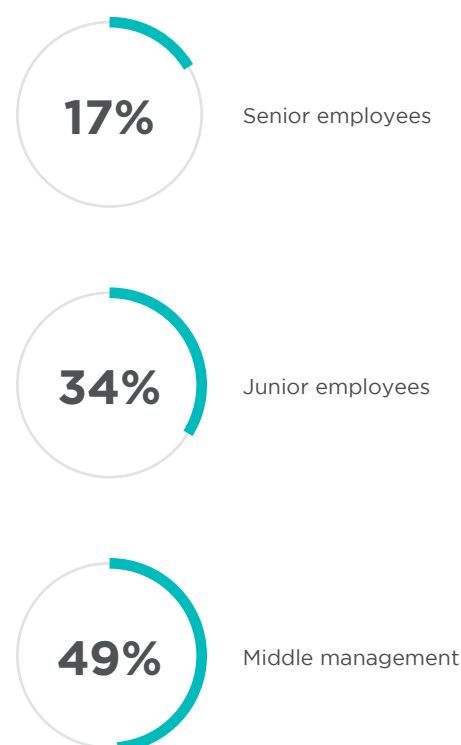


Figure 4

Source CMHA HK; Hong Kong Annual Digest of Statistics; Oliver Wyman analysis

Turnover cost

In addition to presenteeism costs, the costs from staff turnover associated with mental ill health need to be examined. This report estimates that such costs range from HKD 700 MN – 2.2 BN and account for ~15% of mental health costs quantified in this report.

Our survey suggests that 9% of employees have previously left a job due to difficulties related to mental ill health. A 2018 Mercer survey showed that 16% of leaving employees cited “stress” as a reason for leaving an employer (note, stress is not directly equivalent to mental health issues).

Research suggests it takes an employer approximately 6–9 months to fully replace a departing employee – (Mercer Talent Consulting), substantial costs of which are borne by the employer (see Figure 6):

- **Handover costs:** It is common for professional service firms to have a notice period of 1–2 months. During this period, the departing employee would have to allocate time to hand over existing work where their productivity could be impaired.

For more senior employees, it is common practice within selected industries to ask departing employees to take “garden leave” where the employee produces zero output but the salary costs are met by the employer.

- **Recruitment costs:** Professional service firms typically engage recruitment professionals to search for suitable candidates as replacements. Typically, recruitment professionals would charge for fees equivalent to 2 to 3 months of an employee’s salary. For more senior professionals, such fees tend to be even higher.
- **Onboarding costs:** As new employees are hired, they would have to adapt to the new role and work environment. During the onboarding period, it is typical for employees to be performing below their normal productivity, as they spend time engaging in various training and (re)build connections required for their roles, e.g. for a newly hired institutional sales to (re) establish client relationship with their new employer. Depending on the nature of the job and seniority of the role, this report estimates that this could take between 2 to 6 months.

Typical cycle for replacing a leaving employee

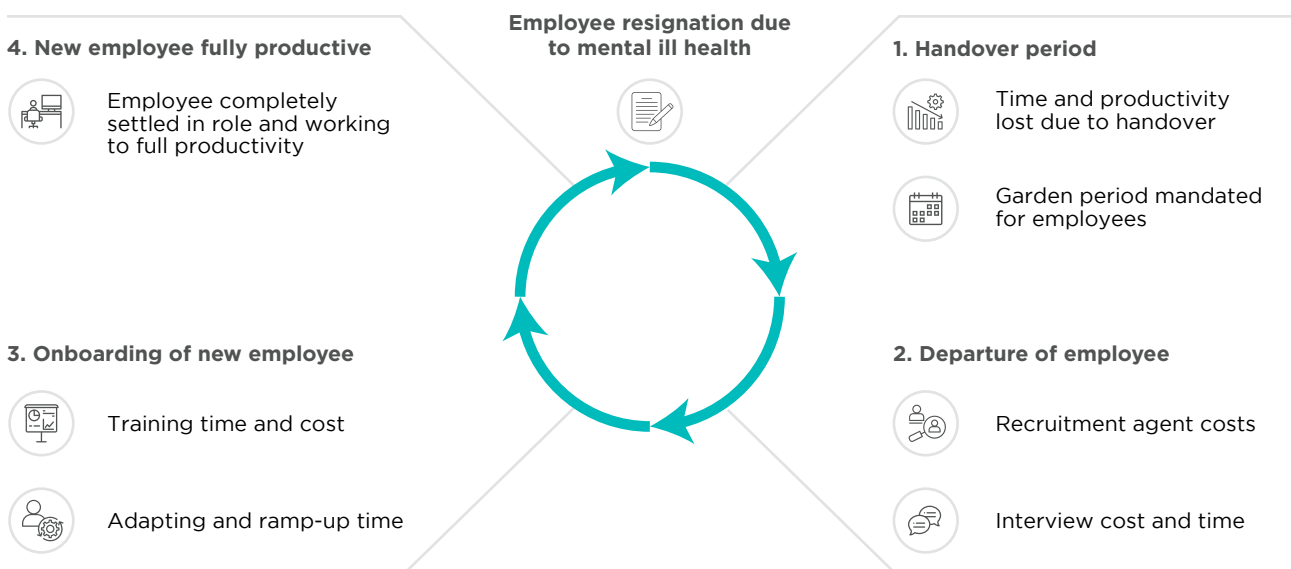


Figure 5

Advantage of addressing mental ill health

Employers in Hong Kong can capture substantial benefits from supporting employee mental health and wellbeing in the workplace. A range of global studies have indicated positive return for programs designed to support employees which could be beneficial for local employers.

According to a report published by Monitor Deloitte, the average return on investment (ROI) of a mental health support program for employers in the U.K. is 4.2. The report also suggested that earlier stage programs, such as organization-wide culture and awareness activities and proactive interventions like workshops for managers, tend to have higher impact compared to reactive mental health support programs like sponsoring of licensed therapists.

In Australia, PwC concluded that the average ROI for a mental health support program is 2.3. A pilot study conducted by the Japanese Nation Institute of Occupational Safety and

Health of the ROI of mental health support programs for 11 organizations reported an average ROI of 3.7.

In Hong Kong, while prevention and intervention mechanisms targeting mental health offered by employers remain relatively low, some studies are already suggesting promising impact of the mechanisms put in place. According to a study conducted by AIA, employees often recognize that the interventions introduced have improved their health (See Figure 7).

Employee Assistance Programs (EA) are one of the most commonly adopted mechanisms to support employees across a range of areas, but data indicates the take-up rate is low (11%) (AIA Vitality). Employees have also rated prevention mechanisms, such as resilience, stress management and mindfulness as more effective for improving health than EAP (AIA Vitality) although further evidence is required to fully explore these findings.

Average return on investment of mental health support programs across various countries

ROI ratio

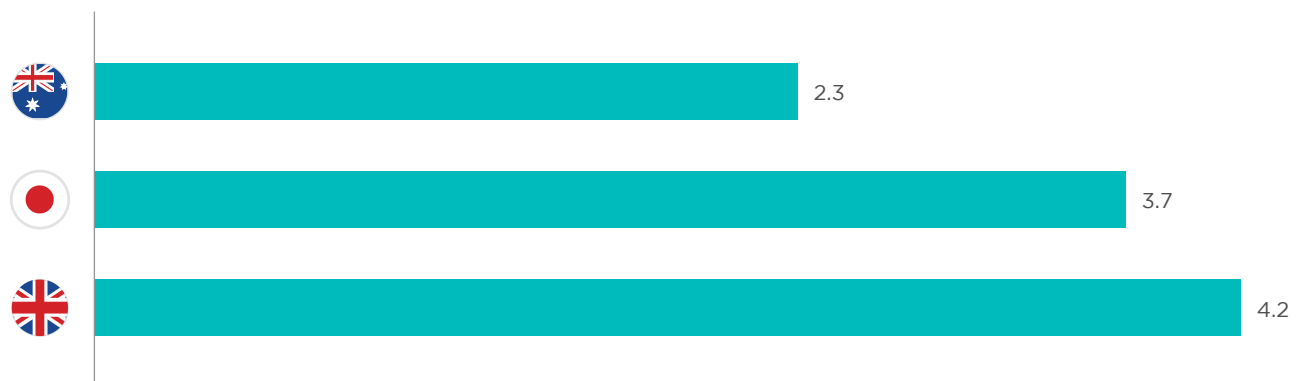
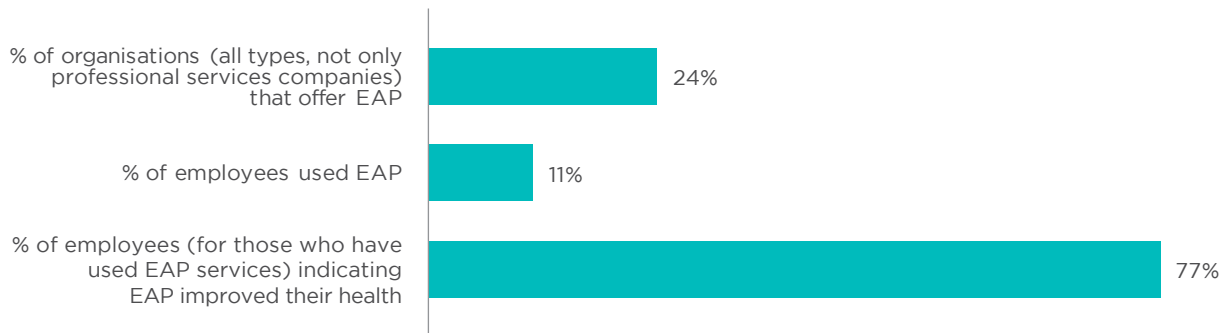


Figure 6

Source Monitor Deloitte; Japan National Institute of Occupational Health and Safety; PwC Australia; Oliver Wyman research

Offering and Adoption of Employee Assistance Programs in Hong Kong



Source AIA - The Healthiest Workplace 2018 (employee survey data) **Figure 7**

Anecdotally, uptake of EAPs in Hong Kong has been reported to be low and the range of mental health support offered within EAPs is variable (EAP utilisation is ~4.4% in Asia Pacific in 2015 according to CGP, a provider of EAP services²). Employers should consider implementing a range of programs to support employee mental health including training and awareness raising in addition to EAP. Given the increasing awareness and emphasis

on mental healthiness in the workplace, we believe the stakes for employers are high. Investing in strategy to support good mental health for employees is important. With appropriate planning, employers can meaningfully contribute to creating mentally healthy workplaces and ensure employee wellbeing and productivity. This will provide sustainable advantages both to the employer and employee in the long-run.

² <http://chestnutglobalpartners.org/Portals/cgp/Publications/Chestnut-Global-Partners-EAP-Trends-Report-2016.pdf>

Appendix: Methodology for estimating costs associated with mental ill health in the workplace

Figure 8 outlines our approach to quantifying costs associated with mental ill health for employers in Hong Kong.

Formulas used to estimate the costs quantified in this report – absenteeism costs, presenteeism costs and turnover costs – have been outlined below.

For each of the calculation components, data includes the CMHA HK/Oliver Wyman Employee Survey as well as a range of public information (e.g. other surveys, government

reported statistics, etc.) and expert opinions to develop a range of possible inputs.

The CMHA HK/Oliver Wyman survey was carried out in 2018 with an anonymous sample of around 400 employees across 11 professional services companies in Hong Kong. Opportunistic sampling was employed and employees voluntarily took part. Results therefore represent the views of the selected sample but are not necessarily representative of all employees; this should be taken into account during interpretation. Further details can be found in the reference below.

Framework and methodology to estimate costs associated with mental ill health for employers

		Assumptions	Methodology
Absenteeism cost	Annual compensation	95 BN	Direct input (HK Annual digest of stats.)
	×		
	% of employees who reported MH issues	25-35%	Survey based assumption (CMHA, HKU)
	×		
	% of employees who consider not going to work	15-25%	Survey based assumption (CMHA)
	×		
	% of days absent due to MH	1.25-2.25%	Survey based assumption (CMHA)
Presenteeism cost	Annual compensation	95 BN	Direct input (HK Annual digest of stats.)
	×		
	% of employees who reported MH issues	25-35%	Survey based assumption (CMHA, HKU)
	×		
	% of employees go to work (in terms of days)	~99% ¹	Survey based assumption (CMHA)
	×		
	% productivity impact of presence	20-30%	Survey based assumption (CMHA, AIA Vitality)
Turnover costs	Annual compensation	95 BN	Direct input (HK Annual digest of stats.)
	×		
	Turnover due to MH issues	2-3%	Survey based assumption (CMHA, Mercer, HKIHRM)
	×		
	Handover productivity impact	4-13%	Direct input (Mercer)
	+		
	Headhunting cost	23-27%	Direct input (Mercer, HR in Asia, HK Annual digest of stats.)
	+		
	Onboarding productivity impact	8-38%	Direct input (Mercer)

Figure 8

¹ 75-85% of interviewees suggested that they will always go to work despite mental ill health. Among the 15-25% of interviewees who might excuse from work, they would be absent only for 1.25-2.25% of the working days. We assumed here these employees would still encounter mental ill health on the days where they go to work. See Figure 3

Glossary

Terms	Description
Absenteeism cost	Employees are unable to report to work due to mental ill health
Employee assistance programs (EAP)	Employee benefit program that assists employees with personal problems and/or work-related problems that may impact their job performance, health, mental and emotional well-being
Handover cost	The time allocated to hand over existing work where the employees' productivity could be impaired
Onboarding cost	New employees tend to be performing at below their normal productivity, as they spend time to engage in various training and (re)build connections required for their roles
Presenteeism cost	Employees report to work despite mental ill health and are unable to perform at prime productivity
Recruitment cost	Recruitment professionals would typically charge referral fees equivalent to 2 to 3 months of an employee's salary
Turnover cost	Lost productivity in transition and direct expenditure for recruiting replacements
Wellbeing program cost	Costs for various employee wellbeing programs e.g. EAP that employers consciously sign up for

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About City Mental Health Alliance (CMHA) Hong Kong

The CMHA Hong Kong is a not for profit alliance of organisations which work together to support city employers to create a good culture of mental health for employees, increase mental health understanding, and identify practical steps that businesses can take to create healthy workplaces where employees flourish. The Alliance is business led and expert guided. The CMHA was originally founded in the UK. CMHA Hong Kong was launched in 2017 at the same time as Mind Hong Kong and with the support of the Patient Care Foundation. For more information, visit www.cmhahk.org/.

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