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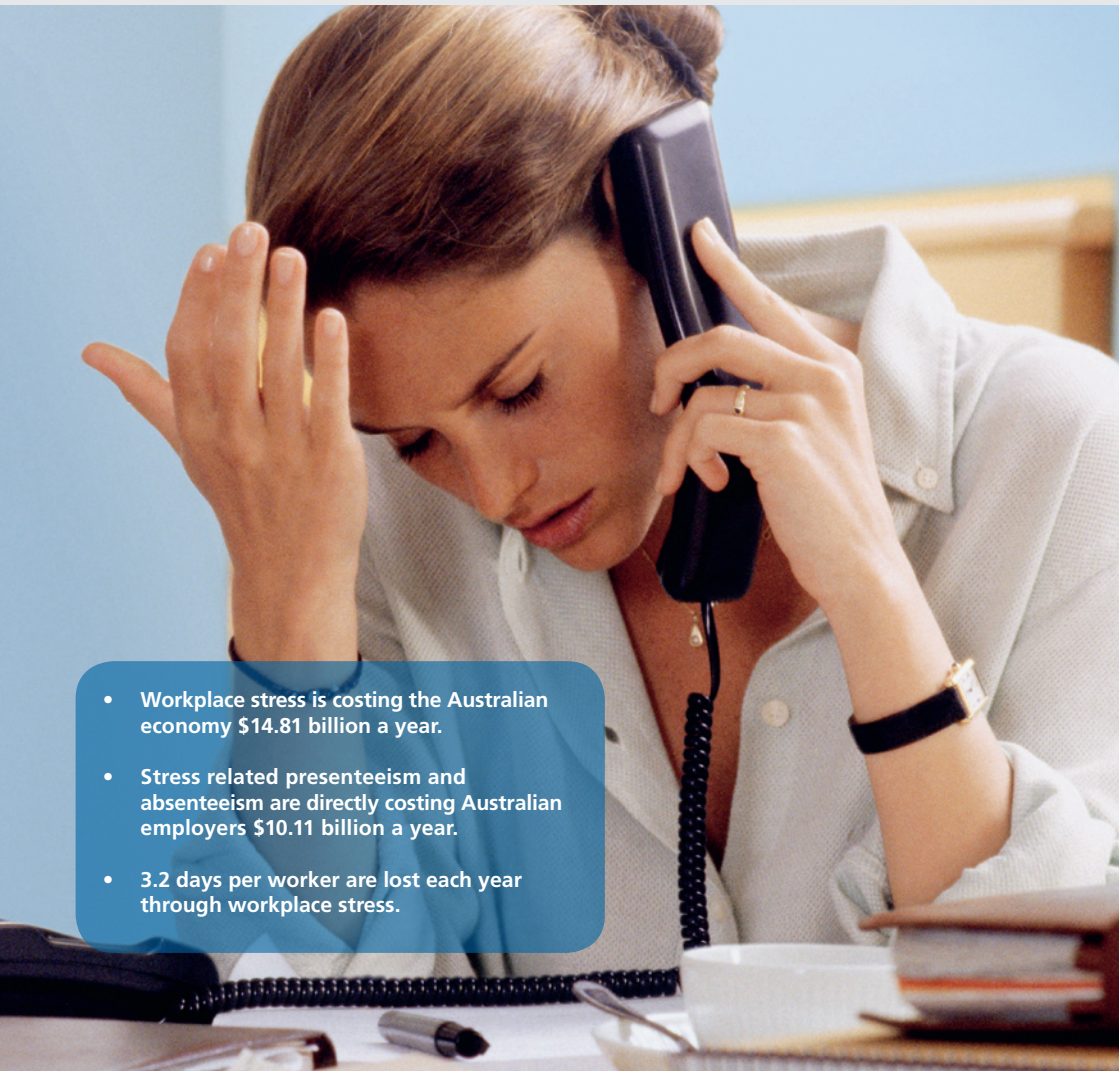
The Cost of Workplace Stress in Australia

August 2008



- **Workplace stress is costing the Australian economy $14.81 billion a year.**
- **Stress related presenteeism and absenteeism are directly costing Australian employers $10.11 billion a year.**
- **3.2 days per worker are lost each year through workplace stress.**

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Medibank Private and Workplace Health

Stress in the workplace is a growing concern for employees and employers in Australia. Figures show that while compensation claims made by Australian employees fell significantly between 1996 and 2004, the number of stress related claims almost doubled[1].

Workplace stress can also impact employee productivity through increased absenteeism and presenteeism[2]; imposing a direct economic cost on employers.

Medibank Private has a strong track record in undertaking leading edge research into issues that affect workplace health and productivity.

In 2005, Medibank-commissioned research found that:

- healthy employees are three times more productive than unhealthy employees;
- unhealthy employees take nine times more sick leave than healthy employees.

In 2007, Medibank-commissioned research found that:

- presenteeism costs $25.7 billion annually;
- on average, six working days of productivity are lost per year per employee due to presenteeism.

This report outlines Medibank Private's latest research which illustrates the economic impact of workplace stress.

[1] Australian Safety and Compensation Council (2007).

[2] Presenteeism is defined as the lost productivity that occurs when employees come to work but, as a consequence of illness or other conditions, are not fully functioning. In comparison, absenteeism occurs when employees do not come to work.

What is workplace stress?

Workplace stress is the response people may experience when presented with work demands and pressures that are not matched to their knowledge and abilities and which challenge their ability to cope[3]. It has been described as an emotional experience associated with nervousness, tension and strain, brought about by factors related to work[4].

Workplace stress is a concern for both employees and employers, with national and international statistics showing the prevalence has grown steadily over recent years.

The stress process originates with exposure to stressors. Stressors are those elements within an environment that cause stress and can be either physical or psychosocial. Physical stressors include physical elements within an environment such as loud noise or physically uncomfortable working conditions, whereas psychosocial stressors include pressures as tight deadlines or job insecurity.

Types of Stressors	Examples
Work factors	• Excessive work hours • Unreasonable performance demands
Physical environment	• Noise and overcrowding • Health and safety risks • Ergonomic problems
Organisational practices	• Lack of autonomy • Poor communication • Unclear roles and responsibilities
Workplace change	• Insecurity in job • Poor chances for advancement or promotion • High turnover
Relationships	• Office politics, competition and conflicts • Poor relationships with superiors • Bullying or harassment

Source: Helpguide.org, www.helpguide.org/mental/work_stress_management.htm

[3] *World Health Organisation*
[4] *Kalia, M. (2002)*

Not all workplaces are the same

Research suggests that the impact of job stress will depend on an employee's personality attributes, such as the ability to cope with pressure, as well as job factors and aspects of the work environment[5].

Models that measure and predict the operation of stressors within the workplace have focussed on the interaction between *demand* and *control*.

Demand-Control Model

Demand refers to the amount of workload or responsibilities placed upon an individual. Increases in demand equate to increases in workload and pressures, which in turn can lead to increased stress.

Control over one's work (deadlines, outputs etc) has a strong impact on perceived stress, affecting both an individual's self esteem, as well as their ability to achieve work goals.

Employees with low control can become frustrated and feel underappreciated.

Combinations of high demand and low control result in "*high strain*", which can be equated to high levels of stress. Alternatively, jobs that exhibit a high level of demand but are accompanied by adequately high control are labelled as "*active*"; a combination which is thought to be motivating and fulfilling to workers.

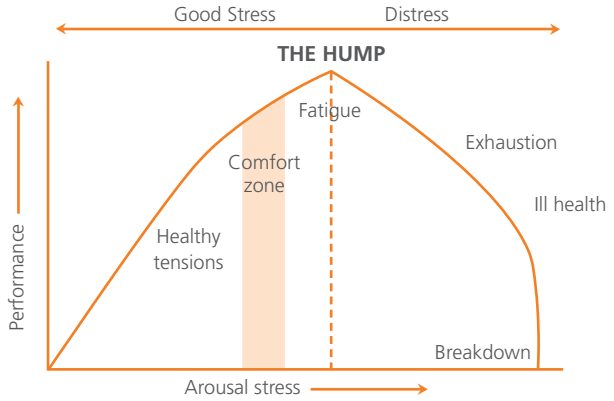
Other classifications include "*passive*" where low demand and low control result in low levels of motivation, and "*low strain*", as a result of low demand and high control.

	Low Demand	High Demand
High Control	Low Strain	Active
Low Control	Passive	**High Strain**

Source: Karasek, R., et al (1990).

[5] *Caulfield, N., et al (2004).*

Optimal level of stress –
The relationship between stress and performance



Source: The American Institute of Stress, http://www.stress.org/topic-definition-stress.htm

Health effects of stress

Workplace stress on employees has been linked to a wide range of mental and physical health conditions.

High levels of workplace stress can cause:

- nervousness
- tension
- strain
- anxiety
- depression

Research also shows that prolonged levels of stress increase the chances of heart disease, brought about by a combination of behavioural and physiological reactions to stress. Some common early warning signs may include headaches, difficulty sleeping, difficulty concentrating, irritability, upset stomach and low morale.

It is often easier for an individual to recognise early symptoms of workplace stress than it is for his or her employer to identify when their employee is feeling stressed. However, from an employer's perspective, outward signs of stress include visible tension, short temper, weight gain or loss, nervous habits such as nail biting or pacing and noticeable decreases in the quality of work.

Key findings

The key findings of the recent Medibank-commissioned research are that:

- **Stress-related presenteeism and absenteeism are costing the Australian economy $14.81 billion a year.**
- **Stress-related presenteeism and absenteeism are directly costing employers $10.11 billion a year.**

	Stress related presenteeism	Stress related absenteeism	Total
Total cost to economy	$9.69b	$5.12b	$14.81b
Direct cost to employers	$6.63b	$3.48b	$10.11b
Labour productivity loss	0.89%	0.47%	1.36%
Days lost per worker per year	2.1	1.1	3.2

The figures shown above do not reflect the hidden cost of re-staffing and re-skilling, when stress results in staff turnover. As an employee's stress levels increase, their health may not deteriorate to a clinical state, but they may instead resign before that point. In these cases, employers may not incur the direct costs associated with stress injury or illness, but may instead incur indirect costs from increased staffing expenses and lost productivity while there is no one in the job.

Conclusion

The results of the recent study summarised in this brochure, highlight the importance of stress as an economic, as well as social issue in the workplace. The productivity losses incurred through workplace stress reduce overall business productivity resulting in lower GDP, private consumption, investment, imports, exports and industry production.

Importantly, these findings may even underestimate the true cost of workplace stress to the economy, given stress has been shown to have causal links to a wide range of health conditions. These include:

- anxiety
- cardiovascular disease
- musculoskeletal disorders
- gastrointestinal disorders

The burden of workplace stress on employers is significant and represents an area in which preventive measures may produce strong economic and productivity gains for the employer and the broader economy.

To minimise the detrimental effects of stress on both employees and organisations, employers should make a conscious effort to identify and address the causes of stress in the workplace.

A collaborative approach by employers and employees to address workplace stress could improve the health and wellbeing of the Australian workforce and achieve improved economic outcomes.

Giving your business a healthier future with Medibank Priority

Australia's largest private health insurer, Medibank Private, has recognised the need for a health cover option for the corporate market.

That's why we have developed Medibank Priority, an integrated corporate health cover and wellbeing program that addresses workplace wellbeing and productivity.

Medibank Priority helps employers make a positive difference to employee health, while at the same time ensuring staff have a range of quality health cover options.

To find out more, please call the Medibank Priority team on 131 680.

About Medibank Private:

Medibank Private is Australia's largest provider of private health insurance covering over 3 million people. Medibank Private offers value for money health cover to all Australians through retail and corporate products, as well as catering for international students and visitors.

About Econtech:

This research was conducted by Econtech on behalf of Medibank Private.

Econtech is one of Australia's leading independent economic consultancies, with an emphasis on economic modelling. Specialising in consulting on taxation, policy and forecasting, as well as forecasting reports and software, Econtech works with government organisations, industry bodies and corporations in Australia and overseas.

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