

EMPLOYEE ASSISTANCE PROGRAMS COST EFFECTIVENESS

by Peter J. Schweitzer

CONCEPT:

The thought of cost-effectiveness for Employee Assistance Programs is not new. As far back as 1978, the most definitive study of this topic was published (Foote, et al.). Since then, there have been several comments on costs, but the major, updated review of EAPs and benefit analysis remains to be issued.

Evaluation is an essential factor of EAPs. But this apparently simple thought raises many questions:

- What is to be measured?
- How will the evaluation take place?
- Are there any pre-determined goals that dictate the study (recession, cut-backs, new management, etc.)?
- Who prepares the report (internal, external)?

Remember that the very mention of preparing a cost-effectiveness document connotes change - and change can be threatening.

On the whole, cost-effectiveness reviews should take place. However, entry into this exercise must be done with an open mind and expectations of revealing the unknown.

ORGANIZATIONAL CULTURE

The first factor that must be considered in undertaking a cost-effectiveness review is the culture of the organization wherein the EAP is established. Private sector settings can generally be thought of considering "bottom line" factors. On the other hand, public sector programs are generally obligated to expend their full allocation, lest be viewed as being "unfulfilled."

Certain organizations, especially those with a high percentage of long term employees, will view cost-effectiveness differently than organizations with higher attrition rates.

Another important consideration is the variable of "open" vs. "closed" organizations. Is the setting conducive to flexible procedures or does a rigid stance prevail?

Finally, in all cases, the individuals identified as having power within the organization must be recognized. Who makes the important decisions? What is their view of the EAP? Can adversaries be neutralized by advocates?

· Culture is always a fascinating topic and is critical when undertaking an EAP evaluation.

VARIABLES

The facets of reviewing cost-effectiveness have yet to be counted. What can be framed are the apparent ones.

Material costs come to mind first:

- Poor performance costs
- Cost of operating the program
- Employee benefit costs

Subjective costs are less visible:

- The law; due process; wrongful termination
- Managerial attitudes; decisions in dealing with poor performance; good will; training
- Labor / management issues
- Cost of not having an EAP

PRIMARY DETERMINATES

Our history of Employee Assistance Programs shows an initial concern for alcohol abuse and then the milestone jump to job performance models.

Poor job performance costs are basic measurements. Only one, however, is prime: absenteeism. (In some organizations, lateness is also a serious factor, especially in shift-work settings where replacement personnel are essential - notably hospitals, prisons, nursing homes and similar settings where on-location staff is permanent).

Generally, the measurement of absenteeism involves before and after EAP intervention attendance records. All published studies demonstrate that EAP involvement markedly reduces absenteeism. The norm runs at about a 40% decrease.

Three major considerations must be considered in this exercise:

- Is absence during EAP suggested treatment counted?
- Is confidentiality insured when reviewing records?
- Will faulty management systems be revealed?

Because absenteeism studies are the easiest to plan compared to other measures, any EAP study should use absenteeism studies.

Whereas early cost-effectiveness studies ignored the operational expenses of the EAP, today's accurate picture must take these factors into consideration:

- staff salaries
- space
- services
- organizational overhead.

Remember that the EAP costs are not impact related. Usually, the decision to have an EAP does not consider its inherent costs, but rather its impact cost-effectiveness.

The major concern of how an EAP will affect organizational expenses is in the area of employee benefits. As in-patient treatment is expensive, those programs which are self-insured will be extremely sensitive to treatment costs.

Again, as in other methods, confidentiality plays a critical role when examining utilization of employee benefits and the EAP factor.

SECONDARY DETERMINATES

Not as easily measured, but important facts that must be considered are the less absolute indications of cost-effectiveness.

Most important in this area is law. Law is society's statement of attitudes. In today's world, law and its penalties are viewed as attempts at behavioral modification.

While there is no law mandating Employee Assistance Programs, there are laws governing due process, unreasonableness and the handicapped. The Federal Rehabilitation Act has had a major impact regarding EAPs, forcing employers to provide reasonable accommodation. This element alone justifies the existence of many organizational programs, especially in government, and more specifically in law enforcement agencies. This avenue - the value of obeying the law - takes on a major role where monetary consideration of an EAP is not significant.

Other secondary indicators of cost-effectiveness for EAPs are:

- Its use as a management tool: tackling poor morale, abnormal stress; assisting in improving job performance, good will, training.
- Saving costs on traditional labor/ management techniques: arbitration, hearings and grievances.
- Myriad personnel items: accidents, workers compensation, non-union disciplinary actions, transfers, suspensions, pay docks, etc.

Finally, the cost of not having an EAP must be considered. Usually, the determinate will be an event that could have been avoided. Only then is the cost of an EAP justified. Cost avoidance is the more difficult factor to justify.

SUMMARY

Employee Assistance Programs have become part of the world of work. Evaluating their cost-effectiveness is not a clean cut task. Past studies demonstrate that focusing on absenteeism reduction reveals concise data.

More recent opinion recommends considering the cost of operating the EAP itself and the concomitant impact on employee benefit costs.

The impact of law and attitudes are even more difficult to measure, but are essential factors when studying the overall benefit of an EAP.

Organizational culture cannot be overlooked in any review. Finally, the methodology chosen can unknowingly determine any outcome study.

READINGS

These publications are listed in order of their present significance to this article:

1. Foote, Andrea et al. (John C. Erfurt, Patricia A. Strauch, Toni L. Guzzardo)
Cost Effectiveness of Occupational Employee Assistance Programs, Institute of Labor and Industrial Relations, University of Michigan, 1978.
2. Bureau of National Affairs, Employee Assistance Programs: Benefits, Problems, and Prospects, BNA, Washington D.C., 1987.
3. Wrich, James, T. The Employee Assistance Program - Updated for the 1980's
Hazelden, 1980
4. Scanlon, Walter F. Alcoholism and Drug Abuse in the Workplace Employee Assistance Programs, Praeger, 1986.
5. Spicer, Jerry, ed. The EAP Solution, Hazelden, 1987.