

FINANCIAL BENEFITS OF REACH

Costs of Employee Problems

Administrative Losses (measurable in monetary terms):

- Absenteeism
- Tardiness
- Overtime pay
- Sick leave abuse
- Health insurance claims
- Disability payments
- Accidents

Hidden Losses (measurable in monetary terms on an estimated basis):

- Diverted supervisory/managerial time
- Personnel turnover
- Friction and conflict among employees
- Waste
- Damage to property
- Mistakes and poor decisions
- Damage to public image
- Premature death

Losses with Legal Implications (measurable in terms of diverted supervisory/managerial time plus added stress):

- Workers' Compensation
- Illegal drug trafficking on the job
- Disciplinary actions
- Grievance procedures
- Law suits
- Security issues

Examples of Costs Associated with Employee Problems:

- Problems associated with alcohol, drugs, and mental health issues average \$3,000 per employee.
- Absenteeism for substance abusers is 16 times greater, and accident rates are 400% higher than for non-substance abusing employees.
- At any one time, 18% of a typical workforce is affected by personal problems, resulting in a 25% reduction in productivity.
- One in ten women are affected by domestic violence, causing an average of three days absence per month and a 64% incidence of lateness for female employees.

How REACH EAP Can Positively Impact Employee Problems

The following are fairly consistent outcomes published over the past fifteen years based on research conducted by major employers regarding the human resource and financial benefits of their Employee Assistance Program:

- Companies reported a 10% - 20% reduction in their mental health and chemical dependency expenditures by implementing an Employee Assistance Program. For example, Union Carbide reported savings of 15% in the year 1989.
- Employers who utilize their EAP at the front end of their managed care system as the gatekeeper for their mental health and chemical dependency benefits reported savings up to 50%.
- Employer groups with Employee Assistance Programs have demonstrated that 75% of alcohol cases and 50% of drug cases have successful outcomes in terms of employees remaining abstinent for 6 to 12 months.
- Companies report that 90% of employees who use their EAP services remain on the payroll.
- When an EAP program is not available, supervisors are required to deal directly with employee problems which negatively impacts supervisors' productivity. Several studies reported that 90% of supervisors' time is spent with 10% of their subordinates – a large percentage of whom could be assisted by the EAP through supervisory referrals.
- Several empirical outcome studies conducted by employers report the presence of an Employee Assistance Program to be associated with:
 - ❖ 30%-60% fewer on-the-job accidents and a combination of on and off-site accident rate reduction of 40% - 80%.
 - ❖ 33% - 52% decrease in the number of sick days or disability units.
 - ❖ 43% - 50% decrease in absenteeism.
 - ❖ 79% decrease in grievances.

Calculating the Cost Benefit of Your EAP

To determine the loss of productivity due to your troubled employees that is recouped by your EAP, utilize the following formula that was developed by the City of Phoenix. The formula is based on the employee problem experience of a typical organization with an EAP generating the *industry-average client utilization rate of 5%*.

1. To determine the average annual salary of your employees, divide the average total number of employees into your total annual payroll.
2. To obtain the payroll for troubled employees, multiply the average annual salary by 18% of the total number of employees.
3. To determine the average loss at any one time due to troubled employee problems, multiply the result of step 2 by 25%.
4. To identify the potential amount of money saved per year by your EAP, multiply the result of step 3 by 50%, which represents the percentage of serious employee problems successfully addressed by an EAP.

Determining the Dollar Value of Your EAP Services

To determine the dollar value of the EAP services that your organization is receiving, utilize the following fee schedule. The dollar value of the services equates to the market value of direct EAP services if they were to be purchased separately in your community. Keep in mind that there are *additional indirect administrative and other overhead expenses* involved in your EAP providing services to your organization. Based on a minimum of one year of EAP utilization statistics:

1. Multiply the number of Client Visits by \$90.
2. Multiply the number of Telephone Consultations (which represents crisis intervention triage, telephone counseling, and management consultations) by \$45.
3. Multiply the number of supervisory training and employee education hours by \$125.
4. Multiply the number of EAP on-site visits and meetings by \$75.
5. Multiply the number of on-site workplace support services (organizational/work group assessments, organizational interventions, critical incident debriefings, and workplace mediation services) by \$100.
6. Multiply your average number of employees by \$1.50 to calculate the annual value of EAP printed materials (EAP brochures, wallet cards, posters, leaflets, articles, supervisor guides, and training handouts).

For additional information, contact:



REACH Employee Assistance and Work/Life Program
1-800-950-3434