

## The return on investment for Employee and Family Assistance Programs

This study concludes that employers see significant ROI when helping their employees deal with personal and emotional issues. The study was based on data from 80,000 Employee and Family Assistance Program (EFAP) cases, and indicates that every \$1 invested in an Employee and Family Assistance Program provides more than eight times the return on investment. The employers' return on investment was based on a combination of improved productivity and reduced absence from work for employees that use an EFAP. The study further indicates the value of an EFAP in preventing work absence.

A discussion of an integrated approach versus a stand-alone approach to an EFAP is also provided, in reference to the impact of each on the ROI for a given organization.

# Executive summary

The purpose of this study was to calculate the return on investment (ROI) provided by Employee and Family Assistance Program (EFAP) services in Canada—sometimes referred to as Employee Assistance Program (EAP) services. There has been considerable research on the ROI from these services in the United States and other countries. This is the first major research study reflecting the performance of EFAPs in Canada. Data for the study was provided by Morneau Shepell, the largest EFAP provider in Canada, and included approximately 80,000 users of EFAP services in 2013.

Conservative assumptions were used in terms of the sources and calculations of ROI included in the study. The study considered only two of the potential benefits of having an EFAP: improved productivity while at work, and reduced absence from work. The study found that organizations had an average \$8.70 return for every dollar invested in their EFAP, representing an ROI of 8.7:1.

The calculation methodology used for the study allowed the ROI to be determined for individual organizations that were part of the study. This showed that the majority of organizations had an ROI in the range of \$6 to \$10 for every dollar invested in their EFAP, representing a range of ROIs from 6:1 to 10:1.

Looking at the ROI for individual organizations, the study found that organizations with a higher usage of their EFAPs had a better ROI than those with lower usage levels. Organizations with usage levels of 15 per cent and above, for example, had a return exceeding \$10 for every dollar invested in their EFAP, representing an ROI above 10:1. This was an interesting finding, and may relate to the way different organizations view and deploy their EFAPs. The differences between an integrative model for using an EFAP and a stand-alone model are discussed further in the body of this report.

As part of this research, a follow-up study was completed to determine the impact of an EFAP on preventing potential future absence from work. Almost half (46 per cent) of EFAP users indicated that they would have missed work had it not been for the services provided by an EFAP, and one third of those indicated that they would have lost more than 20 days of work. Although this factor was not included in the ROI results reported above, it further confirms the impact of an EFAP in preventing undue absence cost.

The findings of this study confirm the financial benefit of an EFAP for organizations in Canada, and provide guidance for organizations in evaluating and maximizing their ROI from these programs.

## Background

Employee and Family Assistance Programs (EFAPs)—also known as Employee Assistance Programs (EAPs)—are employer-sponsored services that offer assessment, counselling, coaching, information and training to employees and their dependants. EFAPs not only support organizations by supporting their employees, but also assist organizations directly by providing assistance with difficult employee issues, crisis response, workplace learning, and workplace insights through aggregate reporting on the issues that employees are experiencing.

Individual users of an EFAP typically report very high levels of satisfaction with the service.<sup>1,2</sup> Existing studies have shown that an EFAP provides a positive return on investment for the employer/sponsoring organization with typical results ranging from \$5.00 to \$10.00 of return for every dollar spent (representing an ROI of 5:1 to 10:1).<sup>3,4,5</sup>

Most of the existing research on the ROI for EFAP services has used data from EFAPs in the United States. Many of these programs differ from EFAPs in Canada in significant ways. EFAPs in the United States are more likely to employ an 'assess and refer' approach, versus the full multi-session, solution-focused approach that is more typical in Canada. EFAPs in the United States are also more likely to have lower usage rates than those in Canada.

Most existing research on ROI assumes that the benefit of an EFAP intervention continues for a 12-month period following the use of EFAP services. For example, a deficit in work functioning that is recorded at the start of the EFAP case is assumed to continue for another 12 months if EFAP services are not utilized and an improvement realized. While there is supporting evidence suggesting that the types of issues addressed in EFAP do impact functioning over several months,<sup>6</sup> some argue that a 12-month duration-of-effect period for EFAP outcomes is an overestimate,<sup>7</sup> given the scope of issues addressed by an EFAP, and the range from mild to critical distress among EFAP users.

Care was taken to use conservative assumptions in calculating financial returns for the purposes of this study. It was assumed that the duration of benefit was only six months following EFAP usage, rather than the typical 12-month period. For further conservatism, the study considered only two potential benefits of having an EFAP: improved productivity while at work, and reduced absence from work.

## Methodology

The aggregate data used for this study was obtained from Morneau Shepell, Canada's largest provider of EFAP services. Pre- and post-EFAP productivity and attendance data was analyzed for approximately 80,000 cases where EFAP users provided complete questionnaire responses at the start of the case and again at the end of the case. This data was from the usage period of January 1, 2013 to December 31, 2013. A wide range of industries and employers of various sizes were represented in this dataset. Key elements of the study methodology include the following:

- The ROI calculation considered the EFAP user's self-reported change in work productivity and workplace absence.
- A questionnaire with a five-point rating scale was used to assess the degree to which the issue that caused the individual to seek EFAP services impacted his or her work productivity and work attendance. Attendance was measured via 15 categories (e.g., hours lost: <4, 4-8 hrs, 9-12 hrs, etc.).
- The change in level of work productivity was calculated as follows: the level of work productivity during the four-week period prior to the beginning of the EFAP case was subtracted from the level of work productivity during the four-week period prior to the close of the EFAP case.

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1 Dersch, C. A., Shumway, S. T., Harris, S. M., & Arredondo, R. (2002). A new comprehensive measure of EAP satisfaction: A factor analysis. *Employee Assistance Quarterly*, 17(3), 55-60.

2 Attridge, M., Cahill, T., Granberry, S., Herlihy, P. A. (2013) The National Behavioral Consortium Profile of External EAP Vendors. *Journal of Workplace Behavioral Health: Employee Assistance Practice and Research*, 28(4), 251-324.

3 Attridge, M. (2013). *The Business Value of Employee Assistance: A Review of the Art and Science of ROI*. Keynote address at the meeting of the Employee Assistance Professionals Association, Phoenix, AZ.

4 Attridge, M. (2010). 20 years of EAP cost benefit research: Taking the productivity path to ROI. Part 3 of 3. *Journal of Employee Assistance*, 40(4), 8-11.

5 Attridge, M (2013).

6 Barkham, M., Bewick, B., Mullin, T., Gilbody, S., Connell, J., Cahill, J., Mellor-Clark, J., Richards, D., Unsworth, G., & Evans, C. (2013). The CORE-10: A short measure of psychological distress for routine. *Counselling and Psychotherapy Research*, 13(1), 3-13.

7 Attridge, M. (2013).

- The change in level of workplace absence was calculated as follows: the level of workplace absence during the four-week period prior to the beginning of the EFAP case was subtracted from the level of workplace absence during the four-week period prior to the close of the EFAP case.
- A 37.5-hour work week, which is typical for the Canadian workforce, was used in all calculations.
- The ROI calculation used the average wage for each individual organization, based on that organization's industry group. The average wage for each industry group was obtained from Statistics Canada for the year 2013. The wages for the mid-point of the year were published in July 2013, and were taken to represent 2013. The average weekly wage was then divided by 37.5 in order to obtain an average hourly wage.
- The net gain in hours was calculated from the change in the level of work productivity and workplace absence, and was then multiplied by the average hourly industrial wage.
- The monetary value obtained from improved work productivity and absence for a period of six months was then divided by the average cost of an EFAP case to obtain the ROI.

## The ROI formula

$$\text{ROI} = \frac{((P2-P1) + (A2-A1)) \times \text{hourly wage} \times \text{six months}}{\text{EFAP case cost}}$$

|                       |   |
|-----------------------|---|
| <b>P1</b>             | = Productive hours lost at work in the four-week period prior to the start of the EFAP case |
| <b>P2</b>             | = Productive hours lost at work in the four-week period prior to the end of the EFAP case   |
| <b>A1</b>             | = Absence hours in the four-week period prior to the start of the EFAP case                 |
| <b>A2</b>             | = Absence hours in the four-week period prior to the end of the EFAP case                   |
| <b>Hourly wage</b>    | = Average weekly wage in the industry of the EFAP user's organization divided by 37.5       |
| <b>EFAP case cost</b> | = The average cost of an EFAP case in 2013  |

In addition to the data that was collected for the ROI calculation, an additional inquiry assessed the perceived absence prevention value of an EFAP.

- In this inquiry, a follow-up question was posed to a subset of EFAP users approximately two months after the end of EFAP service, to assess the level of work absence they believe was prevented due to EFAP services.
  - Responses to this follow-up item were not used in the ROI calculation; rather, they were examined to provide additional context and validation of the impact of an EFAP (see the Findings section for additional detail).

# Hypotheses

The study tested the following hypotheses:

1. Workplace productivity and attendance are negatively impacted by the issues that cause employees to seek EFAP services.
2. After the use of EFAP services, users see an improvement in attendance and productivity at work.
3. The financial benefit derived from EFAP sponsorship exceeds the financial investment made to purchase EFAP services. That is to say, there will be a positive ROI on the EFAP.
4. Organizations with higher EFAP utilization rates among their employees will derive greater financial benefits than organizations with lower EFAP utilization rates among their employees.
5. EFAP services have value in preventing absence.

## Findings

**Hypothesis 1: Workplace productivity and attendance are negatively impacted by the issues that cause employees to seek EFAP services.**

1. **This study found evidence that workplace productivity is negatively impacted by the issues that cause employees to seek EFAP services.**
  - 63 per cent of EFAP users indicated that the issue that brought them to an EFAP had negatively impacted their productivity in the preceding four weeks.
2. **This study found evidence that users of EFAP services report work absence in the four-week period immediately preceding the first EFAP case.**
  - 34 per cent of EFAP users indicated that they had four or more hours of workplace absence in the preceding four weeks.

**Hypothesis 2: After the use of EFAP services, users see an improvement in productivity at work and attendance.**

1. **This study found evidence that users see an improvement in productivity at work and attendance.**
  - On average across all users, EFAP users reported an increase in productive work hours of 35.9 per cent in the four weeks immediately preceding the close of the EFAP case.
  - On average across all users, EFAP users reported an 8.7 per cent decrease in hours absent from work in the four weeks immediately preceding the close of the EFAP case.
2. **Among individual EFAP users, there was a clear relationship between the level of productivity reduction before EFAP use and the actual number of productivity hours regained by the end of the case.**
  - The group of EFAP users with the greatest productivity reduction before using an EFAP, due to the issue that brought them to an EFAP, showed the greatest number of productivity hours regained after using an EFAP.

**Hypothesis 3: The financial benefit derived from EFAP sponsorship exceeds the financial investment made to purchase EFAP services. That is to say, there is a positive ROI on EFAP.**

**1. This study found evidence of a positive ROI on EFAPs for employers and organizations.**

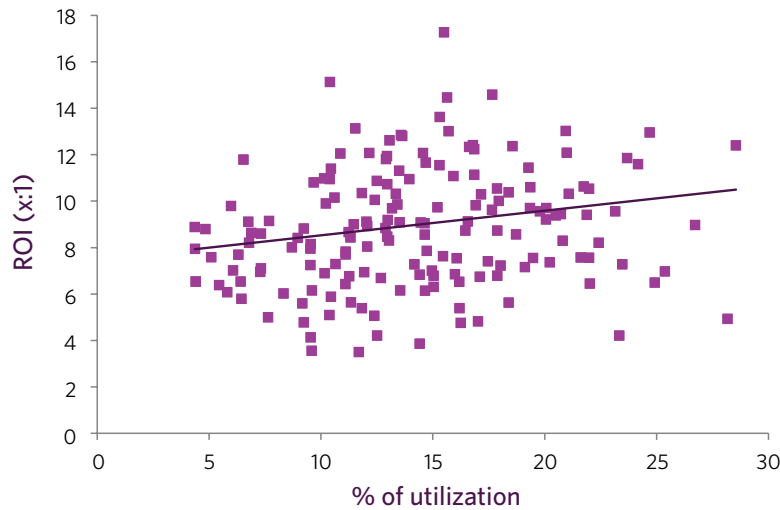
- The EFAPs in this study produced an average ROI of \$8.70 for every dollar spent (8.7:1).
- The ROI was achieved through a combination of improved productivity at work and reduced time away from work.
- The primary basis of the ROI was an overall 35.9 per cent improvement in productive time at work, after the EFAP service addressed the issues that brought the EFAP user to the service. As previously noted, the majority of EFAP users, 63 per cent, reported reduced work productivity as a result of the issue that brought them to an EFAP. It was assumed that on average, the pre-EFAP productivity loss would have continued for six months, as such, the value of improved productivity was calculated over six months. When totaled across all users, the increased work productivity part of the return represented \$8.00 of the \$8.70 total return.
- The ROI was further supported by an overall 8.7 per cent reduction in absenteeism, representing time that employees were away from work for reasons related to personal or family issues. As previously noted, a minority of EFAP users, 34 per cent, reported reduced workplace absence as a result of the issue that brought them to an EFAP.
- It was assumed that on average, the pre-EFAP absence would have continued for six months, as such, the value of improved work attendance was calculated over six months. When totalled across all users, the reduction-in-absenteeism part of the return represented \$0.70 of the \$8.70 total return.

**Hypothesis 4: Organizations with higher EFAP utilization rates among their employees will derive greater financial benefits than organizations with lower EFAP utilization rates among their employees.**

**1. A positive relationship was seen between the level of EFAP usage in an organization and the organization's ROI.**

- Organizations on the higher end of the EFAP usage continuum tended to have higher ROIs than those on the lower end of the continuum.
- Organizations with the lowest EFAP usage rates (where the number of cases in the year was equivalent to 5 per cent of the employee population or less) had average ROIs of less than 8:1. Those with the highest usage rates had average ROIs exceeding 10:1.

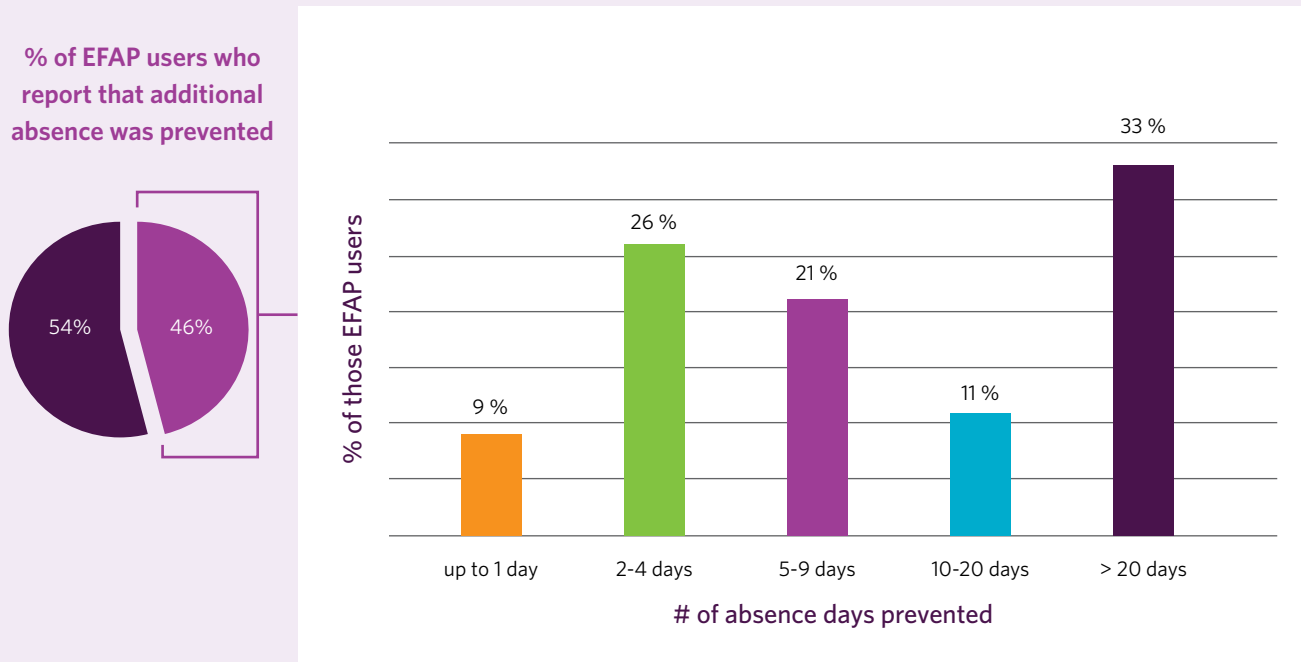
Figure 1: The relationship between EFAP usage levels in a given organization and the organization's ROI



## Hypothesis 5: EFAP services have value in preventing absence.

- In addition to the pre- and post-EFAP data that was used to support the ROI, a follow-up survey provided to a subset of users two months on average after the end of service, offered additional value from an EFAP in regards to absence prevention.**
  - When EFAP users were asked in the follow-up survey whether they would have lost time from work had they not had the support of an EFAP, 46 per cent indicated that they would have.
  - Of those who said "yes," 33 per cent indicated that they would have lost more than 20 days of work.
  - On average, EFAP users who indicated that they would have lost time from work stated that 7.1 days (53.25 work hours) would have been lost in total.
  - The follow-up survey item demonstrated remarkable consistency between EFAP users' self-reported hours absent from work in the four weeks prior to the first EFAP session and the estimated hours absent from work had they never used EFAP services in the first place.
  - Essentially, the users who were given a follow-up survey reported that they would have continued to lose the same amount of hours had they never been to an EFAP in the first place.

Figure 2: Absence days prevented, reported by EFAP users



## Discussion

### Discussion of the components of the ROI formula

A conservative approach was used regarding the scope of factors in the ROI formula. Factors used in the ROI calculation were limited to:

1. the change in productivity levels and absence as assessed directly by the employee; and,
2. a simple measure to isolate the financial value of work productivity and absence, which would be relevant to any organization.



Figure 3: The data sources and points of impact considered in the ROI calculation among the range of potential opportunities

| Sources of ROI included in other EFAP research        | Included in this research report |
|---|----------------------------------|
| Improvement in productivity at work                   | ✓                                |
| Reduction in absenteeism                              | ✓                                |
| Absence prevention                                    | X                                |
| Reduction in benefit costs                            | X                                |
| Improvement in manager productivity                   | X                                |
| Reduction in work-related accidents                   | X                                |
| Reduction in employee turnover                        | X                                |
| Increase in skill, resilience and general functioning | X                                |
| The full economic value of the work                   | X                                |

The limitations on the number of factors included in the ROI calculation in the study reflect a highly conservative measure of ROI for organizations. To further explain, consider the following:

- The current study excluded several benefits of EFAP, including reduction in work-related accidents, decreased benefit costs, and improvement in manager productivity.
- The per-hour dollar value of work that was used in the current study only included base wage. In reality, total compensation includes the cost of the employer’s financial contribution to health and pension benefits. This step was taken to ensure consistency among all organizations within the sample.
- Further to the above point, while base wage alone offers clear and understandable value, a more realistic value is the economic worth of the work done by the employee. The economic value of work refers to the total value (including profit) to the employer of the work that is done by the employee. Most organizations would not pay a wage as well as benefits for a role if the value of the work was not higher than the cost of the amount paid.<sup>8</sup>
- Additionally, the ROI calculation in this study assumed that the benefit of an EFAP continued for six months following service. As noted above, most EFAP ROI studies assume the benefit of an EFAP continues for 12 months. While 12 months may be defensible from some perspectives, the range of issues addressed by an EFAP services impact individuals for varying lengths of time and may not uniformly affect productivity and attendance for 12 months. As such, any benefit of any mitigation by an EFAP cannot be considered to be uniformly applicable for 12 months, therefore a more conservative value of six months was used.

<sup>8</sup> Attridge, M, (2013). *The Business Value of Employee Assistance: A Review of the Art and Science of ROI*. Keynote address at the meeting of the Employee Assistance Professionals Association, Phoenix, AZ.

## Discussion of findings

The main contributor to ROI was the impact of an EFAP on work productivity. In multiple studies, an EFAP's impact on productivity greatly exceeded the impact on absence.<sup>9</sup> The primary reason for this is the fact that the majority of individual users who access an EFAP have no attendance deficits at the start of the intervention. Productivity reduction, however, was evident for most EFAP users. Given that productivity reduction can reasonably be assumed to precede absenteeism, use of an EFAP during the period of productivity reduction is aligned with absence risk management.

Further, a relationship was found between higher usage<sup>10</sup> of EFAPs in an organization and higher ROI for that organization. This finding may be explained by the organization's philosophy toward EFAPs and the impact of that philosophy on employees' use of the EFAP.

### 1. The organization's philosophy of an EFAP as either a stand-alone service or an integrated offering may drive differences in its approach to promotion of an EFAP:

- **A stand-alone view of EFAPs:** Some organizations view EFAPs simply as an expected benefit that they provide to their employees. They often try to control the cost of the EFAP by capping the usage levels with their providers, resulting in relatively poor promotion and understanding of the program. Usage levels for these organizations are often 5 per cent or less.
- **An integrative view of EFAPs:** Other organizations view EFAPs in the context of an overall health and productivity intervention. They see their EFAP as an investment in employees. They encourage use of the EFAP by keeping it highly visible to their employees and managers, ensuring that their disability provider leverages EFAP services as a part of managing claims, and key personnel are well trained on supporting assisted referrals. Usage levels for these organizations are often 15 per cent or higher.

### 2. The organization's approach to promotion of an EFAP may have the greatest impact on employees with the greatest impairment.

- **Organizations with an integrative view are more likely to support multiple referral channels for EFAPs:** Manager training, referral from disability management providers, and promotion of use as a response to critical workplace incidents, are examples. These referral channels are more likely to encourage EFAP use by employees with identified needs, and who are therefore more likely to have greater productivity loss as a result of their issue than others. With this approach, there is a great opportunity for improvement and higher ROI.
- **Organizations that actively promote an EFAP reduce the stigma of help-seeking behaviour:** As such, it is possible that a de-stigmatized environment with clear and repeated communication of resources promotes more help-seeking behaviour for those who are the most significantly impaired.

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<sup>9</sup> Attridge, M, (2013). *The Business Value of Employee Assistance: A Review of the Art and Science of ROI*. Keynote address at the meeting of the Employee Assistance Professionals Association, Phoenix, AZ.

<sup>10</sup> Utilization rate is defined as the number of EFAP cases opened within a 12-month period, divided by the number of eligible employees in the client organization during that period.

# Conclusion

An EFAP offers a platform of support for organizations and their employees that is cost effective and yields a strong return on investment. Organizations can maximize their value by considering an EFAP as a key part of their strategy to mitigate productivity loss and prevent undue absence. The value of approaching an EFAP with an integrative view and strong promotion is supported by the relationship between higher use and stronger ROI.

For more information about this report email [research@morneaushepell.com](mailto:research@morneaushepell.com) or call 1.888.667.6328.

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References and Technical Appendix available upon request.



Morneau Shepell is the largest company in Canada offering human resources consulting and outsourcing services. The Company is the leading provider of Employee and Family Assistance Programs, the largest administrator of pension and benefits plans and the largest provider of integrated absence management solutions in Canada. Through health and productivity, administrative, and retirement solutions, Morneau Shepell helps clients reduce costs, increase employee productivity, and improve their competitive position. Established in 1966, Morneau Shepell serves more than 20,000 clients, ranging from small businesses to some of the largest corporations and associations in North America. With approximately 3,600 employees in offices across North America, Morneau Shepell provides services to organizations across Canada, in the United States, and around the globe. Morneau Shepell is a publicly-traded company on the Toronto Stock Exchange (TSX: MSI).

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