



The Leaking Bucket

**Unrecognized Productivity Losses
Cost Employers Over \$3,000
Per Employee Per Year**

James M. Walter

CEO, ESI Employee Assistance Group



The Leaking Bucket:

Unrecognized Productivity Losses Cost Employers over \$3000 Per Employee Per Year

Executive Summary

A landmark study conducted by Yankelovich Research concluded that American workers are losing an average of 3 weeks of productive work per employee, per year. Assuming an average salary of \$50,000, that's a loss of almost \$300,000 for every 100 workers.

ESI conducted a follow-up study with employees who used the EAP to determine the impact of EAP services on employee lost time. We measured how much time employees were losing before engaging with our EAP. And we identified how much our services impacted that lost time.

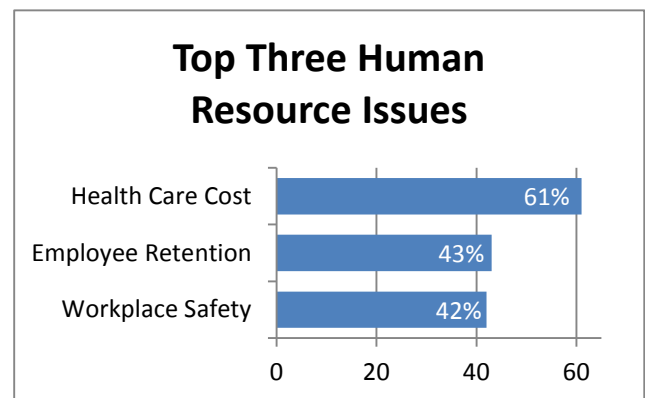
Research results confirmed the Yankelovich lost productivity findings. More important, we were able to determine that the ESI EAP was able to reduce lost time by 23%, a savings of over \$500 per employee per year--many times the cost of the EAP program.

Key Issues

What are the human resource issues that keep top managers up at night?

That's a question we posed to our nearly 2,000 client employers this past year and the number one issue cited as the top concern was the rising cost of health care (61%). This was followed by employee retention (43%) and workplace safety (42%).

One issue was conspicuously absent from that list, despite being a key driver of each of those top three cited concerns, as well as an issue that rivals health care in scope of cost: That's the issue of the "problemated" employee.



Our experience in dealing with thousands of employers for more than 30 years tells us that this is an issue that is typically not on top management's radar. Yet this issue affects productivity in a profound way, resulting in substantial losses.

Personal problems are a fact of life: The death of a loved one, caring for an aging parent, dealing with a child's developmental issues, major illness, debt, depression, divorce, stress and legal troubles – problems of this nature can be overwhelming. When employees face personal problems, the challenges are not just their own – they are also challenges to the organization and far more costly than many CEOs realize.



The Leaking Bucket:

Unrecognized Productivity Losses Cost Employers over \$3000 Per Employee Per Year

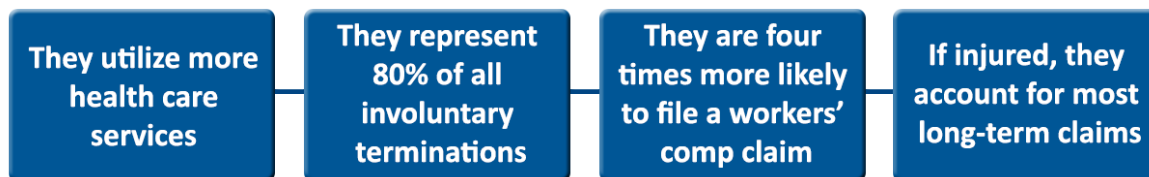
The Scope of the Problem

Each year, about one of every five employees confronts a personal problem that significantly disrupts their life, both at work and at home. These issues fall into a range of categories, including family problems, behavioral health issues, financial problems, the need for assistance with child or elder care and legal problems. For an employee dealing with a significant life issue, the impact is deep and personal.

The old solution was compartmentalization: “Leave your problems at the door” or “don’t bring personal problems to work.” These “Mad Men” era philosophies were an unrealistic, imaginary firewall. They didn’t work yesterday in the era of nuclear families when work life was largely a 9 to 5 affair for Dad. They certainly don’t work today in the complex world of blended families who are connected 24-7 by ubiquitous smart phones and other technologies. The dividing line between work and home has never been thinner.

It comes down to this simple fact: When an employee has a problem, the employer has a problem too. And for employers, these problems are much more than a minor distraction: they are the source of considerable costs. A landmark study conducted by Yankelovich Research reported that, on average, workers lose over 3 weeks per year due to personal issues that disrupt life at home and at work. Assuming an average employee salary of \$50,000, productivity losses translate to a per-employee loss of almost \$3000 per year, every year. Extrapolating that to a workforce of about 300, annual productivity losses would approach the million dollar mark.

But the cost of personal problems doesn’t stop with absenteeism. Employees with personal problems incur other costs:



Unresolved problems have a tendency to snowball, gaining more mass and momentum. The stress of unresolved issues can lead to health problems, substance abuse, domestic discord and more – problems that the employee brings into the workplace every day.



The Leaking Bucket:

Unrecognized Productivity Losses Cost Employers over \$3000 Per Employee Per Year

Savings Potential

Today, most organizations recognize the need for an employee assistance program (EAP). The 2014 SHRM Benefit Survey revealed that nearly three-quarters (74%) of the surveyed organizations offered an EAP.

While it's a positive that so many employers include EAPs in basic benefit packages, here's where things fall short: most employers fail to recognize the true potential that an EAP holds to address employee life disruptions that trigger productivity losses. EAPs are all-too-often viewed as a "nice to have" rather than a "need to have" benefit. Many employers also fail to see the broad range of services that an EAP can provide, relegating them to a narrow niche.

This undervaluation leads to many employers treating the EAP as a commodity benefit, a one-size-fits-all. A case in point is the upsurge in demand for "free" EAPs that come bundled with insurance policies. The scare quotes around the word "free" are deliberate. While some might apply the "you get what you pay for" adage to commodity solutions, the reality is that a so-called free solution might actually cost employers money in unrealized savings, money left on the table.

A strong EAP is a real workhorse of a benefit that can deliver substantial results in dollar savings, enhanced productivity and increased employee morale. Employers who don't view their EAP from a return-on-investment perspective are selling themselves short.

A Case Study in Effectiveness

ESI has been delivering employee assistance services for more than thirty years. Over that time, we've had a history of innovating new and better EAP services. ESI was the first provider to deliver mandated referral services for our client organizations. We were an early pioneer in identifying the need for work-life services and developing a suite of tools to address the related issues.

About 10 years ago, we intensified efforts to add services that would provide an even better EAP solution for our employer clients and their employees. We started with the premise that while a good EAP should certainly address life's big events and traumas, it should also provide help with managing the quiet crises and challenges of everyday life. Services shouldn't simply be all about problems, but also about life enhancement - things like wellness and nutrition, financial planning, and personal and professional development.

A relatively small sampling of the services we added included new child and elder care services, a comprehensive medical information center, resources to help with financial challenges, a military deployment resource center and optional wellness coaching services. We also strengthened our employer-focused resources, one of our organization's key strengths, by developing a Management Training Academy, including online video compliance trainings.



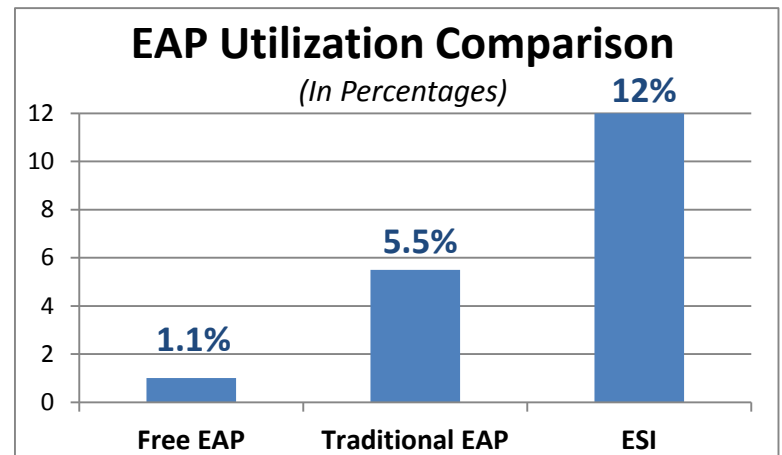
The Leaking Bucket:

Unrecognized Productivity Losses Cost Employers over \$3000 Per Employee Per Year

This effort resulted in a menu of EAP services that is almost double the number of services offered by traditional EAPs. Proof of the value of these services is demonstrated by high utilization rates. Utilization is critical: An EAP benefit that is underutilized does not reduce productivity losses.

With that information on hand, we mounted a research effort to quantify the value of these services in terms of the effect on productivity.

We initiated a study among employees who utilized the EAP to determine how their lost productivity measured up to the three-week average lost time reported by Yankelovich Research. Assuming an average annual wage of \$50,000, it translates to a loss of \$300,000 per 100 employees per year. This sort of cost clearly warrants top management attention.



We then wanted to quantify the impact that enhancing our EAP services had in curtailing the lost time. We conducted our own research among employee members. We measured how much time employees were losing before engaging with our EAP. And we identified how much our services impacted that lost time.

The bottom line is that ESI has demonstrated strong lost productivity savings and a significant return on investment.

Our research results confirmed the Yankelovich lost productivity findings. More important, we were able to determine that the ESI EAP was able to reduce lost time by 23%, a savings of over \$500 per employee per year, many times the cost of the EAP program.

Our study also demonstrated that by doubling our services and effectively communicating their availability, we significantly increased utilization rates. Overall utilization now exceeds 12%, more than double the utilization of traditional EAPs and more than ten times the utilization of the so-called “free” EAPs that come bundled with an insurance program.

It is also important to note that in expanding benefits and utilization, we were also able to increase our already high employee satisfaction: Members who accessed the EAP reported a 99% satisfaction rate.

The bottom line is that ESI has demonstrated strong lost productivity savings and a significant return on investment.



The Leaking Bucket:

Unrecognized Productivity Losses Cost Employers over \$3000 Per Employee Per Year

Conclusion

A good EAP can be much more than just a nice employee benefit: by addressing the full range of life issues that can preoccupy employees, an EAP holds real potential to demonstrably reduce your productivity losses. If it's been years since you've taken a second look at EAPs and how they can improve life for both you, your employees and your bottom line, it is without a doubt worth a few minutes of your time.