

employee benefits

ALIGNING BENEFITS WITH BUSINESS STRATEGY

Market trends

EMPLOYEE ASSISTANCE PROGRAMMES

The economic downturn is raising the profile of employee assistance perks, says **Tom Washington**



Employee assistance programmes (EAPs) have come a long way from the days when they were primarily a telephone helpline for staff. For many employers, the perk is now an integral part of their wellbeing provision, and some have begun to look at more sophisticated and accessible services for staff. The economic downturn is also likely to increase employee demand and help reinforce the need for an EAP. According to figures from provider Employee Advisory Resource (EAR), calls to its helplines in July 2008 were up 55% year on year.

Paul Timoney, head of account management at Axa Icas, says: "We have seen stress and anxiety come to the fore over the past few years. There are a lot more people with debt issues in the UK at the moment. This means that all companies [are likely to] have employees with issues."

In some cases, such problems have prompted employers to implement an EAP to provide support for staff. Kevin Dewhurst, sales and marketing director at FirstAssist, says: "There is an increase in recognition that there is a benefit in providing employees with an EAP. More employers are starting to take the plunge, especially smaller companies

that haven't considered it before."

But while the credit crunch is increasing some employees' need for the perk, it may also cause some employers to cut back on offering it in a bid to cut costs. Mike Blake, compliance director at PMI Healthcare, says the economic climate could be having a negative effect on EAPs. "The market is mixed. Some employers are looking to implement EAPs, but some are questioning their value and, in some cases, taking them out."

This increase in awareness of the importance of EAPs among some employers, along with financial cutbacks by others, has led to enormous competition among providers and even a commoditisation of the market. Paul Avis, corporate development director at Ceridian, says some providers are happy to promote their product based on cost alone, leading to a battle on price rather than service. "Competition on price is massive and there is now a danger of employers going for the cheapest available [option]," he says. "But ultimately, you get what you pay for."

David Smith, secretary of the Employee Assistance Professionals Association (EAPA), adds: "The biggest issue for organisations is money. The current economic climate means all areas are under review and cosy relationships between EAP providers are under scrutiny. More larger organisations in the private sector are going out to tender with a specific focus on cost."

When selecting a provider, employers should ensure they choose an EAP that best meets the needs of their organisation. "[With providers] fighting for what they have got, many are competing on price," says Timoney. "Some will continue to compete in quality. If employers go for the cheapest [product] available, it might not actually meet their corporate strategy for having an EAP in the first place."

Lower-cost products may, for example, not offer the technological advances that have come to the market in recent years. Face-to-face counselling sessions and helplines are still commonplace in an EAP, but some providers have begun to move away from traditional reactive counselling services to a more proactive model that provides advice, information and support for employees keen to lead a healthier lifestyle.

Brian Gillen, international business director at EAR, says: "For employers to get the best out of their EAP, they must

FOCUS ON FACTS



What are employee assistance programmes (EAPs)?

An EAP is a service offered to employees which helps to identify and resolve concerns that could affect their performance in the workplace. The most basic form is a confidential telephone helpline, but a full EAP will include face-to-face counselling sessions.

What are the origins of EAPs?

EAPs were first used in the US in the 1920s to help employers provide support to staff with alcohol problems. The first EAPs

appeared in the UK during the 1980s, when they were used primarily in the petrochemical and finance industries.

Where can employers get more information and advice on EAPs?

The Employee Assistance Professionals Association (EAPA) is the professional body for the industry, visit www.eapa.org.uk. The Association for Counselling at Work, which can also provide employers with information, can be found at www.counsellingatwork.org.uk.



Market trends EMPLOYEE ASSISTANCE PROGRAMMES

look further than counselling sessions. This can be practical telephone support, such as advice on job uncertainty, career planning, issues with childcare, financial management and debt control. This [would help] increase take-up and [make] staff feel they are being supported."

The use of online technology, such as downloadable MP3 guides, has also helped the market develop, offering easier access to a wider range of services for some employees. "Government research has indicated that young males between the ages of 18 and 33 years are most likely to seek help for personal problems through the web," says Smith. "An exciting development is the introduction of 'instant chat' messaging by some providers to broaden the EAP's appeal."

Tax exemption

Some providers, meanwhile, have introduced online health-assessment tools and online wellness coaching with programmes for weight loss and smoking cessation. "These are effective, low-cost tools that improve employee well-being and, in turn, organisational performance," says Smith.

It is possibly this evolution of EAPs that prompted HM Revenue & Customs (HMRC) to look into whether or not it should be a taxable benefit, questioning whether services such as legal and financial advice qualify for the same tax exemption as benefit-in-kind "welfare counselling" perks.

After a long period of uncertainty, in December last year, HMRC issued guidance to providers, setting out a clear definition of what constitutes welfare counselling as opposed to legal and financial advice. "The legislation has not changed, just the guidance," says Smith. "Most providers

NUTS AND BOLTS



What are the costs involved?

Prices can vary from £5 to £25 a year for each employee, depending on factors such as the size of an organisation's workforce and the breadth of service required.

What are the legal implications?

Employers that provide access to an EAP, proactively promote it to employees and operate a system of management referral may be considered to have

exercised a duty of care towards their staff.

What are the tax issues?

EAPs have traditionally been regarded as exempt from tax where services provide welfare counselling as opposed to other types of advice. In December last year, HM Revenue and Customs issued guidance for providers setting out what constitutes welfare counselling.

"Some providers are looking at offering a holistic, integrated health-management solution"

already comply with HMRC's expectations."

HMRC's decision not to tax EAPs where they constitute welfare counselling has been welcomed by providers. "In my opinion it should not be a taxable benefit," says Blake. "If you penalise people by taxing them, they won't want to be involved in it."

The EAP market has also widened after Unum's decision to bundle Ceridian's LifeWorks EAP product into its group income protection product free of charge. Many in the market believe this has now paved the way for further integration of products to produce "a holistic, integrated health-management solution" says Timoney. "This way, problems can be transferred between occupational health, private medical insurance, and so on. Rather than employees going to five different sources, they can get it all in one place."

However, providers may risk devaluing their EAP provision by integrating it into other products. "Some general insurers are buying in bulk from an EAP provider and dropping EAPs into their packages for free. [However], just throwing EAPs in with other services devalues them and makes them a commodity," says Blake.

Looking to the future, providers are set to face a continuing battle in helping employers demonstrate the business value and return on investment of EAPs. "A big problem the EAP has always had is proving its worth," says . "There are some return on investment models out there, but very few that are evidence-based."

Going forward, that could be set to change. Ceridian has developed a product using clinical technology that will enable employers to systematically evaluate the outcome of services used online. "In simple terms, users are asked questions about how engaged they are, whether they are absent or considering leaving the company," says Avis. "These are assessed 'pre-' and 'post-' interaction with the EAP and hence help to justify its effectiveness." ■

IN PRACTICE

What is the annual spend on EAPs?

Figures from the Employee Assistance Professionals Association show about 10% of the working population now has access to an EAP, at a cost of £22.53m.

Which EAP providers have the biggest market share?

Big market players include Ceridian, Axa Icas, FirstAssist, Employee Advisory Resource, PPC Worldwide, Right

Corecare and Focus.



Which EAP providers increased their share the most over the past year?

Ceridian has increased its share by offering its LifeWorks EAP with Unum's group income protection product. Its EAP now covers 873,000 extra staff and almost 9,000 employers. It has also increased the volume of employers covered on its core business by more than 30%.

► For more buyer's guides visit:

www.employeebenefits.co.uk/Item/1959