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## EMPIRICAL IMPLICATIONS FOR SMALL BUSINESS DRUG POLICIES

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### ABSTRACT

*The results of empirical studies of small and large businesses parallel each other regarding the characteristics of drug policies. Drug policies affect organizational performance, including improved productivity and reduced accidents. EAPs are an effective approach to drug policies, and outside contractors are common sources of information and services. Pre-employment testing is usually combined with other types of testing, but careful attention is needed to meet legal requirements. Employees with positive tests may cause difficulties, but, overall, employee morale rises. Small businesses without drug policies are increasing their competitive risks.*

An increasing array of laws and regulations requires organizations to institute formal drug policies (Humphreys, 1990). Small businesses are often exempted from such requirements, but drug abuse is a significant problem in many small businesses (Huneycutt & Wibker, 1989). Nobile (1990) asserts that all businesses, even small ones, can benefit from formal drug policies. However, more research is needed. For example, Harris and Heft (1992) have made a comprehensive review of publications on alcohol and drug use in business, listing more than 125 useful sources. However, their analyses led them to assert that business scholars "... have conducted relatively little research on this topic" (Harris & Heft, 1992, p. 239).

Drawing from a nation-wide study, Axel (1990) has characterized the drug policy programs of large corporations. To develop such empirical implications for small businesses, this article presents the results of a more recent study that primarily involves small businesses. This study focuses on one region of one state, but its results parallel the results of the large corporations study closely enough to allow generalization. Detailed statistics are given because of the lack of research on this aspect of small businesses. Inferences are drawn regarding drug policies' objectives, problem areas, testing programs, employee assistance programs (EAPs), and legal aspects.

### SMALL BUSINESS STUDY

In early 1991, 1000 questionnaires were mailed to organizations in the East Texas region between Tyler, the northern suburbs of Houston, and the Louisiana state line. The respondents returned 429 usable questionnaires. The President/CEO answered 41.3% of the questionnaires; General/Plant Managers 29.6%; Personnel/Human Resources Directors 21.7%; and 7.4% were

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**Table 1***Drug Policy Status Versus Industry Type*

Percent of respondents in each industry with or implementing a drug policy		Total number responding in each industry
Manufacturing	66%	162
Oil or chemical	86%	42
Retail	47%	36
Utility	89%	28
Engineering/construction	47%	19
Healthcare	61%	18
Food Production/packaging	60%	15
Government	82%	11
Restaurant/entertainment	80%	10
Professional	40%	10
Transportation	71%	7
Other	72%	71

completed by other executives. Respondents included 237 firms (55%) with a drug policy, 54 (13%) currently implementing a drug policy, and 138 (32%) without any drug policy. Table 1 shows the total number of respondents with the percentage by industry that either have a drug policy or currently are implementing a drug policy. Table 2 indicates that the likelihood of formal drug policies decreases for smaller organizations.

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**Table 2**

*Drug Policy Status Versus Number of Employees*

	Number of employees				
	<50	50-100	101-250	251-500	>500
Number of firms in each group	127	65	67	90	80
With policy or implementing	37%	66%	72%	86%	96%
Without	63%	34%	28%	14%	4%

Chi-square = 117.43039, D.F. = 8, Significance = 0.0000

The presence of drug policies is a function of the number of employees.

### **POLICIES OF ORGANIZATIONS**

Of the 237 organizations with drug policies, 91% had a policy that had been in place for 3 years or less. Only 18% of these organizations reported any union influence on their drug policies. Table 3 indicates that the most common reason for instituting drug policies was employee security and safety, but many organizations had more than one reason for their policies. Larger ones are more likely to seek lower costs/improved productivity than smaller ones, whereas small organizations are less likely to have a drug policy simply because other companies have them.

**Table 3**

*Reasons Why Drug Policies Instituted  
(Respondents could report more than one reason.)*

	In group percentages					
	Total	<50	50-100	101-250	251-500	>500
Respondents =	237	29	32	40	65	71
Reasons						
Employee safety and security	71%	62%	72%	80%	63%	78%
Lower cost/improve productivity	27%	14%	25%	20%	32%	31%
Required by customers/regulators	24%	28%	19%	30%	23%	21%
Other companies have drug policy	10%	3%	6%	8%	12%	14%
Curb drug traffic	8%	10%	16%	5%	8%	6%

Most of these organizations reported more than one result from instituting their drug policies. Beneficial results and percentages of the 237 that reported each result are as follows: decreased workplace accidents—49%; increased employee morale—44%; increased productivity—41%; decreased worker compensation claims—33%; decreased absences—30%; and decreased insurance rates—16%. A negative result of decreased employee morale was reported by only 2%.

The benefit responses are not listed according to the number of employees because organizations with 500 or fewer employees comprise more than two-thirds of these 237 respondents. Compared to the large corporations study (Axel, 1990), this regional study can be seen as a small business study. The East Texas region has only a few companies of the size considered by the corporations study. (The 11 government agencies of the sample should not unduly bias results.)

The benefits listed above for this small business study parallel the benefits (Axel, 1990, p. 34) for large corporations: safer work environment—63%; fewer drug problems in the workplace—56%; improved employee morale—54%; and better job performance—43%. The corporations also reported improved quality of applicants—77%; better image in the community—58%; and increased credibility and use of EAPs—54%.

Both small and large businesses must consider these benefits as goals for staying competitive; for example, productivity gains are reported in both studies. Of course, these benefits

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could be "Hawthorne effects," which result from company managers' taking special interest in employees. As Axel (1990) notes, questions do exist about the validity of the claims of benefits from drug policies. However, Harris and Heft's comprehensive literature review (1992) reveals that "pre-employment drug testing . . . does seem capable of affecting drug use and may provide significant returns to an organization" (p. 260).

Both the corporations study and the small business study involve large numbers of respondents. In addition, many of these benefits are associated with each other. For example, the small businesses report increases in employee safety/security with decreases in workplace accidents, worker compensation claims, absences, and insurance rates.

## DRUG TESTING

Both studies report increased employee morale even though 49% of the corporations use drug testing (Axel, 1990,), as do 91% of small businesses with drug policies. The difference in testing rates is probably caused by the fact that 28% of the corporations were in the finance and insurance industries, which had a testing rate of only 13%. Table 1 shows few such firms in the small business study.

Another consideration is that younger employees tend to exhibit more resistance to drug testing. Also, employees are more accepting of drug tests in the South and the Midwest, and less tolerant on the East and West Coasts (Gallup Organization, 1990,). The small business study was in the South, and the corporation study was a national test that had a little more weight on the North Central and South (Axel, 1990, p. ix). Morale problems may be more serious than indicated. However, Harris and Heft (1992) found that if drug testing is properly conducted on job applicants, they " . . . will not be offended by drug screening" (p. 261).

In order to fully address drug abuse, pre-employment testing must be combined with other types of testing. Blum (1990) asserts that even with pre-employment screening programs " . . . drug problems do emerge among employees and their family members, the effects of which are not left outside the work site, and show up in EAP caseloads even in organizations that pre-employment screen" (p. 17). Of the 237 small businesses with drug policies, 82% reported pre-employment testing, 60% testing for cause, 45% random testing, and 16% testing with scheduled physical examinations. Table 4 shows the combinations.

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**Table 4**

*Types of Testing by 237 Organizations  
(91% with testing but only 87% reported types)*

Scheduled physical	1%	Pre-employment	
Examinations alone		Alone	11%
Random alone	1%	With scheduled physicals	2%
For cause alone	3%	With random	12%
		With for cause	21%
		With for cause and random	23%
		With for cause and physicals	4%
		With for cause, random, and physicals	9%

The small business study also indicated that policies vary when an employee has a positive test. Re-test was the policy of 45% of the 237. Dismiss on first offense was the policy of 28%; 9% dismiss on the second offense. A case-by-case approach was used by 24%. No data on policies for handling positive tests were given by 19% of the respondents; this number may indicate that these small businesses may have deficiencies in this area.

When dealing with a positive-testing employee, 57% of these 237 small businesses reported no problems with the employee; 9% did have problems. Another 17% did not respond to the question about such problems; this may indicate a reluctance to admit any problems. Only 17% reported no positive test results. When asked if they thought that other companies were hiring their employees who had failed drug tests, 3% said "yes," 12% "no," and 74% "not sure."

Axel (1990) reports that 92% of the corporations use pre-employment tests, usually combined with other types (e.g., 74% also use "for cause"). Overall, 12% of them had been challenged in courts regarding drug tests, and about 24% were in arbitration. Most, however, have dealt with only one or two cases. "The newness of most drug testing programs and the focus on applicant testing may help explain why relatively few firms have faced legal confrontations to date" (Axel, 1990, p. 35). Harris and Heft's (1992) comprehensive review found that properly conducted urinalysis gives few, if any, false positives and that "... despite the number of court cases involving drug cases, many of these have been decided in favor of the organization" (p. 261).

## **EAP USAGE**

In the small business study, 24% of 237 with drug policies refer employees to counseling, including some of the organizations that dismiss on first offense. Either internal or external

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EAPs are used in substance abuse matters by 62%. An inference is that many companies allow employees to enter the programs before they have positive tests.

The availability of EAPs for substance abuse did vary according to the number of employees. Only 24% of organizations with fewer than 50 employees had them, compared to 38% with 50 to 100 employees; 58% with 101 to 250 employees; 70% with 251 to 500 employees; and 89% with 500 or more employees.

The large corporations study found that 76% of the companies with drug testing and 58% of the non-testing companies had EAPs. It attributes the rise in EAPs to the rise in illegal drug use and the growth of firms that contract EAP services to businesses. "A majority of the employee assistance programs in this study are of recent origin—53 percent were formed after 1982—and a majority are services provided by an outside contractor" (Axel, 1990, p.14). Harris and Heft (1992) report that nearly all the Fortune 500 companies have EAPs with 44% internal and 56% external. This use of external contractors is supported by Beilinson (1991), who asserts that 70% of EAPs are external contractors. The wide use of external EAPs by corporations implies that small firms will be able to select professionally qualified EAPs from external sources.

Although EAP effectiveness has not been evaluated in a rigorous, systematic study, efficacy is "almost universally accepted" (Harris & Heft, 1992, p. 255.) Parlman and Edward (1992) see "strong evidence" that EAPs are "highly" effective for substance abuse problems, asserting that EAPs are "unequivocally" worth the legal risks (p. 593; 599). Blum (1990) asserts, "EAPs can . . . address drug abuse and problems related to drug usage if the EAP is adequately implemented and integrated into the employee culture, the line management, and the human resource management function of the organization" (p. 16). For such effectiveness, however, ". . . middle management support is very important during the continuing implementation and program evolution stages" (Blum, 1990, p. 15).

## EAPS AND PERSONNEL

Some corporation administrators fear that drug testing will damage employee relations (Axel, 1990,). Morale increases in both the corporations study (54%), and this small business (44%) study should help alleviate such fears. However, employee willingness to use EAPs requires their familiarity, trust, and easy access to an EAP (Harris & Heft, 1992). This implies an effective training program on a firm's EAP. In fact, Harris and Heft (1992) recommend training in the "perils" of drug and alcohol use for all employees because ". . . coworkers and supervisors may play a crucial role in the extent to which on-the-job substance abuse occurs" (p. 261).

Effectiveness also requires training for supervisors in *how* to identify employees for EAP referral (Beilinson, 1991). Unfortunately, denial of drug problems occurs in drug users, their families, and their co-workers, including some supervisors (Blum, 1990). Even trained supervisors may "cover up" for employees, so companies must take steps to develop supervisor trust in EAP effectiveness and confidentiality (Beilinson, 1991).

Training is especially needed because of legal requirements. Parlman and Edwards (1992) recommend that in order to prevent invasion of employee privacy, only EAP personnel, who



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must be qualified professionals, should have access to employee records of EAP use. Such records should be separate from all other records.

Recent decisions by Federal courts assert that businesses can be interested *only* in drug use that impairs job performance. Liem (1992) asserts that in some cases drug tests are not justified by past convictions, off-duty use, one witness to drug use, or even erratic behavior. Because erratic behavior can be caused by a number of factors such as family or physical problems, Segal (1992) recommends that *all* employee performance problems be addressed in the same way through established procedures without treating suspected substance abuse in any different manner. Any EAP mentions must be made in reference to the EAP's full spectrum of services, not just its substance abuse services.

The confrontation method of encouraging problem employees to use an EAP is the most common, and there is insufficient evidence as to its efficacy (Harris & Heft, 1992). Such confrontation, moreover, is legally dangerous. Care must always be taken so that an employee cannot claim that severe emotional distress resulted from the employer's attempts to induce use of an EAP's services (Parlman & Edwards, 1992). For example, Segal (1992) says that reasonable-suspicion testing is desirable but that care must be taken in how it is done. Even when an employee is obviously impaired, witnesses and written records are mandatory. Segal suggests that an obviously-impaired employee be told of the manager's judgment of unfitness and offered the option of testing to refute this judgment.

The recent Americans with Disabilities Act (ADA) asserts that it does not protect someone who is *currently* using illegal drugs but that someone cannot be rejected for employment if he/she is an alcoholic who is *not* a current user (Halevy, 1992). The ADA says that drug testing is not a medical test, so drug testing is not as restricted as medical tests. However, records confidentiality is made even more important by the ADA. If drug testing reveals some non-drug medical problem, it cannot be used to reject employment. The ADA involves all medical-related issues, so ". . . employers need to be knowledgeable of the ADA's restrictions before implementing any medical examination or enforcing a drug or alcohol policy" (Halevy, 1992, p. 837). In addition, states are enacting more laws on drug testing, so both state and Federal legal knowledge is required (Harris & Heft, 1992).

## IMPLEMENTATION BY SUBJECT FIRMS

Only 54 organizations in the small business study were in the process of implementing drug policies. One-third of them had fewer than 50 employees, and the overall responses of the 54 as a group do not differ markedly from those of these smaller organizations. Their responses are revealing in comparison to those of other respondents.

Startup problems were similar for both the 237 firms *with policies* and the 54 *currently implementing* in that approximately 20% in each group reported contradictory information and 20% a lack of information. Approximately 10% of both had some union or employee opposition.

The 54 implementing were also asked what information they were lacking on drug *testing*. There were 24% not lacking any information, 44% lacking information on legal aspects, 24% on costs, and 10% on methods. Although still developing their policies, 72% had definitely decided to use drug testing. Pre-employment testing had been chosen by 67%. Only 1% reported

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**Table 5**

*Reasons Why Organizations Developed Drug Policies  
(Respondents could report more than one reason)*

Respondents (number)	Currently implementing a drug policy (54)	With a drug policy (237)
Reasons		
Employee safety/security	70%	71%
Lower cost/improve productivity	57%	27%
Required by customers/regulators	41%	24%
Other companies have drug policies	24%	10%
To curb drug traffic	24%	8%

that they had decided against testing of any sort. Also, 39% had decided to use some type of EAP with 13% deciding against any such program.

Table 5 shows some very interesting findings on *why* the 54 are implementing drug policies, as compared to the reasons of the 237 with drug policies (from Table 3). Employee safety/security is the primary reason for both groups. The lower ranked reasons have not changed in rank order; however, significantly more of the currently implementing organizations have set these reasons as explicit goals.

The increases in organizations that seek the lower-ranked reasons imply that the value of drug policies for improving company capabilities is increasingly recognized and sought. The large increase in those seeking improved lower cost/higher productivity implies improved competitive capabilities. As noted above, the corporations study parallels these results, and it also reveals additional benefits (Axel, 1990,). These results may lead to strategic disadvantages for small businesses without drug policies.

## **NO DRUG POLICIES**

There were 138 respondents without a drug policy and making no effort to develop one. Of these, 80 (58%) had fewer than 50 employees; thus the responses strongly reflect small business attitudes. Overall, 67% had not even considered a drug policy, and 29% were unaware of what other companies were doing about drug testing. Only 6% perceived employee opposition to drug testing. However, 48% were not sure of employee attitudes, and 26% saw employees as undecided. Union influence was present in only 5%.

Table 6 presents the reasons given by these 138 organizations for choosing to do without a drug policy. Although costs are a concern, most of the reasons relate to acquiring information

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**Table 6**

*Reasons for No Drug Policy  
(138 responding organizations)*

Costs	27%	Lack of information	17%
Legal concerns	25%	Employee rights	16%
No interest	22%	No present problems	13%
Lowering employee morale	20%		

about drug policies (i.e., legal concerns, employee rights, and lack of information). The results of this study should lessen the concern about lowering employee morale because 44% of the small businesses with drug policies have increased employee morale versus 2% with lowered morale. The corporations study reported improved employee morale in 54% (Axel, 1990). Such findings should help overcome any lack of interest regarding drug policies, especially in view of the reports of increased productivity and decreases in accidents, absences, and insurance rates.

The "No present problems" response cited by the respondents in Table 6 needs further consideration. First, small businesses should be seeking the improvements implied by the results for the organizations with drug policies, which are reported by both corporations and small businesses. Second, there is the question of people applying to an organization because they know that they will not be tested for drugs. Of the 138 small businesses without a policy, 73% said that they did not think that their "no testing" status would attract applicants who were trying to avoid drug tests. Only 4% thought that it might happen. Also, 78% did not think that they were hiring any applicants who had failed drug tests given by other organizations. This view was reported by 84% of those with fewer than 50 employees. Such views do not seem realistic in light of substance abuse conditions in the United States (Gleason, Veum, & Pergamit, 1991; Harris & Heft, 1992).

## IMPLICATIONS

Virtually all the businesses in the regional study are smaller than those in the corporation study (Axel, 1990), but the results of the studies parallel each other. Therefore, several implications can be reasonably drawn. In both studies the respondents with drug policies think that these drug policies have provided positive benefits such as increased employee morale. The benefits directly related to competitive strength are also being recognized, as shown by the increased percentages which seek to lower costs/improve productivity through their drug policies. In addition, recognition of the benefits of drug policies is implied when an organization's customers or regulators require it to institute drug policies.

Table 6 indicates that information about the benefits and the characteristics of drug policies need to be better communicated. The 138 smaller businesses without drug policies do not have appropriate levels of interest in drug testing. Three-quarters of them do not think that their "No Test" policies have led them to hire people who want to avoid drug tests. Drug policies, however, seem to result in better quality job applicants for large corporations (Axel, 1990), and only 17% of the small businesses reported *no* positive results from their drug tests. This may imply that applicants who are lower quality or drug test failures will eventually be employed by small organizations without drug policies.

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Drug policies do not seem too complex for small businesses to implement, and 47 of the organizations with fewer than 50 employees are doing so. EAPs are an appropriate approach for small businesses to address drug policies, and 62% of the 237 with drug policies use internal or external EAP services in drug abuse matters. Outside contractors are a likely source of valuable aid, especially in view of the reported majority of the corporations that use outside contractors for EAP services on drug matters (Axel, 1990.).

The problem of employee opposition is significant enough to warrant special attention when developing drug policies. Proper implementation should not cause undue problems with employees, especially when first-line supervisors are well trained and trust EAP effectiveness. Problems may be more likely with younger employees or on the East and West coasts (Gallup Organization, 1990). Small businesses which move now to develop drug policies may gain an advantage by integrating such policies into their organizational cultures before the "younger generation" constitutes a significant percentage of their employees.

Both studies seem to indicate difficulties with employees who have tested positive. Therefore, all company procedures and legal requirements need careful attention; therefore outside contractors for EAP services may be especially helpful to small businesses. Lack of information, including legal aspects, is a problem area for some small firms.

Legal requirements can pose problems for any business on the issues of drug testing, especially because of varying state laws, the Americans with Disabilities Act, and Federal court decisions that reflect Fourth Amendment privacy rights for employees. For example, Table 5 shows that some companies have an objective of curbing drug traffic. What are the legal implications of holding this objective in view of court rulings that reject off-duty drug use as a sufficient reason for drug testing? Drug testing ". . . in the workplace *per se* is not intended to outlaw the use of drugs outright" (Liem, 1992, p. 57). In any situation the key requirement is for management to focus on the employee's level of job performance.

## CONCLUSION

Because of the lack of research on small businesses and drug policies, this article gives relatively detailed statistics. Dividing these statistics into "with policies," "currently implementing," and "without" will assist future analyses of the processes by which drug policies move into small businesses. Drug policy requirements are being increasingly extended and clarified, especially with Federal government involvement (Aalberts & Rubin, 1991). Eventually, requirements for instituting a formal drug policy may be extended to include all small businesses by legal mandates or by business arrangements.

The benefits, problems, and characteristics of drug policies in small businesses parallel those of the large corporations study (Axel, 1990). These empirical studies imply that drug policies can yield benefits for organizations of all sizes. Such benefits seem to foster competitive advantage over businesses without drug policies. Small businesses that ignore formal drug policies would seem to be at increased competitive disadvantage.

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