

# Absence Management Programs as a Productivity Tool

An integrated approach to absence management may help an employer better track and manage leaves, reduce costs, comply with evolving regulations and improve employee morale.

**W**hen you walk into the office, do you notice how many employees are absent? Chances are that employees are out for various reasons, including a short-term disability leave (STD), an illness or family medical leave (FML). Employee absences, which can range from several weeks to several months, can significantly affect productivity and impact the bottom line if not properly tracked and managed.

Often, employers do not have a firm grasp on what unscheduled absences really cost. For instance, consider the direct and indirect costs associated with incidental and extended disability absences. These costs account for nearly 9% of payroll.<sup>1</sup> For an employer with 1,000 employees whose annual salaries average \$50,000, this 9% of payroll equals more than \$4.5 million per year.

Other employers may understand the costs of absences but may have separate processes in place to track and manage the various types of lost-time events, which can include STD, sick time, paid time off (PTO) or accrued time. In the end, all of these lost-time events relate to an employee's time away from work.

by | Mike Dunst



## takeaways &gt;&gt;

- Direct and indirect costs associated with incidental and extended disability absences may account for nearly 9% of payroll.
- A single administration of STD, sick programs, FML and company-specific leaves can streamline processes.
- Many employers struggle with tracing intermittent leaves.
- State regulations concerning employee leave are evolving constantly.
- Employers that outsource absence management may want to consider a bundled approach, rather than separating administration of different types of leave.

For employers that fall into the above scenarios, it may be time to evaluate the company's approach to managing and tracking disability and other forms of leave. There are several practical tips employers can use to develop the right absence management (AM) approach and select an integrated program that will:

- Effectively track collective absences
- Comply with required and evolving state and federal leave regulations
- Manage hard-to-track intermittent leaves
- Provide a process for tracking time and usage to accurately reflect leave balances
- Allow for integration with company and union leave programs.

## Consider a Centralized AM Strategy

Typically, the need to establish or reevaluate an employer's absence/leave strategy is a result of the difficulty and costs that go along with segregating leaves. Other reasons may include the desire to:

- Reduce direct costs of disability or workers' compensation
- Decrease overall absenteeism
- Increase return-to-work rates
- Reduce direct costs of group health.

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## Education

## Short- and Long-Term Disability

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One approach that addresses these concerns is unifying the administration of these leave activities in order to make the experience as streamlined as possible. This may mean having a single administration of STD, sick programs, FML and company-specific leaves.

For employers used to working in a decentralized environment, there are various reasons for consolidating the absence/leave process. If employers have multiple locations across the country, the processes might vary, with administration inconsistent. Additionally, companies with multiple unions or bargaining agreements need to be mindful of how these programs integrate with FML/state regulations.

Another pain point employers are likely to face is managing intermittent leaves. Intermittent leaves are those taken in separate blocks of time periodically—a day or even hours—for a single qualifying reason, such as a health condition. According to a Mercer study, tracking these leaves is a struggle for more than half of employers.<sup>2</sup>

Employers that choose to manage this type of leave in-house see many leaves go unreported. When moving to an AM program, there tends to be a spike in the incidence rate of intermittent leaves, as well as other absences/leaves, because these events are now being thoroughly captured and accounted for, whereas previously they were not. Having a single point of contact to manage this challenging type of leave is especially important when handling multiple locations.

Putting a more formalized strategy and program in place, managed by a single point of contact, eliminates administrative discrepancies and may simplify the leave process for the employer.

## Avoid Common Mistakes

There are several mistakes employers should avoid. For example, if employers choose to outsource AM services, they might want to refrain from replicating any preexisting or current processes used prior to working with a third-party vendor. When putting a new program in place, employers will benefit from listening to the recommendations offered by the AM provider. An experienced provider will offer a "best-practices" model. Providers will have experiences dealing with multiple employers, as well as industries, and can put together a streamlined and efficient program based on industry knowledge and experience.

The author has witnessed several employers that have wanted to recreate their existing internal absence process

with a new AM provider. These are employers that want to have significant participation in the absence/leave process but, at the same time, want a fresh approach from the provider hired to take on this responsibility.

Once the decision is made to outsource, the program needs to integrate with an employer's philosophy and internal operations and, most importantly, must comply with federal and state leave regulations. In a dual management scenario between employee and vendor, it is the author's experience that integration and compliance are harder to achieve, particularly when too many hands are involved. The chances of misinterpretation are high, which could result in noncompliance. Employers that are most successful in outsourcing their AM programs are those that rely on the outsourced provider for appropriate protocol, decisions and recommendations.

A second common mistake employers should avoid is becoming complacent in their knowledge of current leave laws. State regulations are evolving constantly and are therefore complex to follow. Each state has its own set of leave regulations. Some states have even enacted special leave regulations for specific groups of employees such as volunteer firemen and organ donors. Staying on top of these changing regulations takes a dedicated provider, legal team and time to ensure the employer is well-informed and compliant.

Another blunder to avoid is separating the administration of STD from FML. Some employers try to bring STD administration in-house but choose to outsource FML. Unbundling may add more confusion and additional paperwork for everyone involved, including employees.

## Find the Right AM Provider

Employers that decide to outsource AM services should look for a provider that takes an integrated, proactive approach to managing and tracking absences/leaves. The provider should:

- Develop a customized strategy tailored to the employer's needs
- Be able to integrate its AM services with an employer's current processes and procedures, as well as health management programs such as EAPs or wellness
- Have a dedicated legal team in place to comply with evolving state/federal regulations
- Create an easy, seamless transition for all participants
- Have a dedicated absence team for intake of calls, claims and other support.

When selecting a vendor for outsourcing, it is also important to be mindful of providers that choose to work through third-party vendors to help with leave administration. Multiple vendors might manage leaves in different locations, with different staff. A fragmented method can result in administrative problems. A single provider, with one technology platform to manage all the data, may be more efficient and productive.

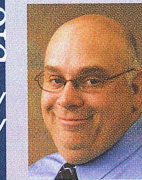
Many providers offer flexible programs that complement an organization's productivity efforts, e.g., an integrated absence and disability management program that works alongside a company's health programs.

An integrated, streamlined AM solution may result in being able to better track and manage leaves collectively, reduce costs, improve illness/absence outcomes, strengthen compliance, and improve overall employee and employer satisfaction. ☛

## Endnotes

1. Survey on the Total Financial Impact of Employee Absences. Mercer, 2010. Available at <http://solutions.kronos.com/forms/q1-11-mlt-wnr-workforcecom-cost-of-absence-wp>. Accessed February 8, 2012.
2. Take Control of Employee Absenteeism and the Associated Costs. October 9, 2008. Available at [www.shrm.org/multimedia/webcasts/Documents/1008absenteeism.pdf](http://www.shrm.org/multimedia/webcasts/Documents/1008absenteeism.pdf). Accessed February 8, 2012.

&lt;&lt; bio



**Mike Dunst** is assistant vice president and national practice leader for absence management services at The Standard, a provider of financial products and services including group and individual disability insurance; group life, dental and vision insurance; and retirement plans. Dunst has more than 20 years' experience in the absence management industry. In his current role, he leads all absence management-related services and processes, software development/enhancement, sales training and support, vendor and partner management, operational effectiveness and customer service. Dunst graduated from Villanova University with a bachelor's degree in accounting, and has a master's degree in finance from St. Joseph's University in Philadelphia, Pennsylvania.