Effectively Managing Employee Absence

Leveraging Internal and External Resources

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"Employees who take family FMLA leave are twice as likely to file their own STD claim in six months."

Unum, March 2009

According to Employee Benefit News, between 4% and 10% of U.S. employees are absent from work on any given day. In today's economic environment, public and private sector employers alike are required to operate at maximum efficiency. As such, effective management of employee absence is critically important. Despite recognition of absence management's productivity implications, many employers find that a seemingly endless maze of administrative, reporting, and compliance complexities limit their progress. These complexities often limit these employers' abilities to develop strategic approaches to employee absence and productivity management.

Below is an overview of common employer challenges related to employee absence management, including specific details of steps your organization can take to ensure your organization develops a comprehensive, strategic, and effective approach to workforce efficiency and statutory compliance.

"It takes employers an average of 2 ½ hours to manage a single FMLA case."

Society of Human Resource Management, July 2007

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Challenge #1: Turning Data into Information

While many employers collect extensive employee absence data (e.g., PTO banks, vacation tracking databases, and FMLA management spreadsheets), they often have few effective tools to consolidate these figures and convert them into actionable information that can be used to effectively leverage enterprise productivity.

Strategic Approaches:

- Explore the potential for current Human Resources Information System (HRIS), Workers Compensation (WC), and Disability vendors to export and consolidate absence data for use in developing utilization history.
- Examine utilization history to determine leading absence types, average durations, single physician anomalies and site/division specific challenges.
- Extrapolate historical utilization information to develop trend projections for specific business units, employee segments, and occupational classes.
- Utilize consolidated data to determine when employees have exhausted leave entitlement and approve, deny or close claims with benefit of full information.
- Leverage historical absence data to estimate return on investment (ROI) of absence management procedure enhancements.

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Challenge #2: Managing a Dispersed Workforce

While multi-location employers are aware of the challenges associated with managing a dispersed workforce, they often struggle to develop a centralized approach to employee absence management. As a result, human resources (HR) representatives in different locations develop their own approaches to manage (or not manage) the workforce, leading to inconsistencies throughout the organization.

Strategic Approaches:

- In partnership with an external vendor, implement centralized call-center intake of employee absence claims related to vacation, PTO, FMLA, State Leave, Disability, WC, etc.
- Optimize reporting capabilities to facilitate site-supervisor auto-notification of employee absences so workforce adjustments can be made accordingly.
- Leverage centralized intake and reporting processes to determine whether certain sites have over utilization issues which may result from fraud or abuse.
- Advise site supervisors about issues related to their specific workforce. When tailored to the specific needs of a particular location and actively managed in partnership with site supervisors, a centralized FMLA management system can more effectively reduce over-entitlement and over-utilization issues.
- On a periodic basis, develop clear and concise supervisor and employee communication materials to educate managers and employees on the corporate absence tracking and management procedures.

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Challenge #3: Avoiding the "Rubber-Stamp" Mentality

Employers often view their attempts to increase employee efficiency through effective employee absence management as conflicting with their legal compliance obligations. In an effort to avoid costly FMLA litigation, which the Department of Labor estimates to cost an average of $78,000 per suit to defend, employers often adopt a laissez-faire, rubber-stamp FMLA and State-leave management approach. While approval of the vast majority of claims may reduce potential liability, it often has the unintended consequences of adversely impacting employee productivity and encouraging employee abuse of FMLA leave.

"94.8% of the United States' population works in States with unique leave entitlements ."

Unum, 2010

Strategic Approaches:

- Select a third-party vendor who will fully indemnify the employer and affected managers for any error related to the adjudication of the leave management process. It is important to note, however, that "indemnification" between vendors is not always the same, so you should carefully evaluate the extent of the coverage.
- Select an external vendor to manage varied compliance obligations. With 136 assorted State Leave Laws on the books, employers often find accurate, internal management of all of entitlements a daunting task. However, the leading external vendors are capable of

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managing and tracking each of these entitlements, as well as basic FMLA leave on the employer's behalf.

- Use a third-party vendor, which will demonstrate to employees that the process is being managed. This in itself may have the positive effect of reducing utilization over time.
- Conduct an administrative audit of a representative sample of both approved and denied claims. Use these results to determine if process adjustments are needed.

Challenge #4: Tracking Intermittent Leave

Intermittent leaves pose special challenges to employers, which result both from the variability of employee utilization as well as supervisory challenges such as ensuring uninterrupted production lines, continuing receipt of care, and ongoing student instruction. As a result, intermittent leaves are not only the most difficult type of FMLA leave to manage from a tracking perspective, but they can also be the most disruptive to employer productivity.

"80% of HR professionals have difficulty tracking / administering intermittent FMLA leave."

Society of Human Resource Management, March 2007

Strategic Approaches:

- Implement a telephonic absence reporting system to manage intermittent absence and ensure that intermittent leave is accurately tracked against an employee's FMLA bank.
- Partner with an external vendor capable of tracking intermittent leave in small time increments.
- Verify that the external vendor is capable of quickly notifying the employee's manager of

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the intermittent leave so that alternate staffing arrangements can be made.

- Recognize that overuse and abuse of intermittent FMLA leave can impact the morale of employees who are left working while their co-workers are on leave. Consider implementing recognition programs for employees with strong track-records of attendance.

- Develop a standard re-certification policy for long-term intermittent claims to ensure that previous approvals are still warranted.

Challenge #5: The ROI Objection

> *"Between 50% and 70% of FMLA leaves are also STD leaves."*
>
> *Unum, 2007*

Notwithstanding the real challenges addressed above, ROI for absence management is accurately quantifiable only on a retrospective basis. As a result, employers frequently struggle to develop a strong economic rationale to support the need for enhancing their internal absence management infrastructure or outsourcing to a third-party vendor.

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Strategic Approaches:

- When preparing ROI projection, regard the return-to-work improvements and reduced claim durations related to STD and WC leave programs as direct results of improved early intervention and the concurrent management of STD, WC, and FMLA leaves.
- Leverage industry resources and improved results data to prepare ROI projections that incorporate a variety of factors that impact the effectiveness of the leave management system, such as industry averages, internal administration costs, compliance exposure reductions, and return-to-work enhancements related to early intervention on disability claims.
- Consider the hidden costs related to FMLA mismanagement, including work-force underutilization, employee presenteeism, delayed intervention on disability claims and associated disability duration extension.
- Capitalize on the competitive ancillary benefit market to optimize your disability and life insurance benefit costs. To the extent savings are realized in this process, leverage these savings to help fund outsourced FMLA and Absence Management administration.

Challenge #6: Creating a Sustainable Process

Employers who invest heavily in developing effective absence management strategies may notice that, over time, the effectiveness of the management process declines. This deteriorating engagement usually results from supervisor and employee turnover, limited ongoing communications, lack of consistent accountability, and supervisor and employee passivity.

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Strategic Approaches:

- Enhance leave management training as part of the employee onboarding process by creating absence management video tutorials, e-reminders, and concise intranet communications.
- Engage a third-party advisor to perform focus groups with key stakeholders, such as managerial HR representatives, local HR personnel, and supervisors, to ensure strategies are consistent with front-line realities.
- Publish routine FML announcements in supervisor notifications, which include case studies and economic figures to reinforce the business case for absence management.
- When communicating with supervisors in blue collar environments, consider representing the impact of absence in dollar figures to communicate the importance of absence management on level that resonates with them. (*E.g.,* The number of time-off requests caused XYZ Company to produce 420 fewer widgets per month.)
- Reward proactive and effective management. Measure supervisor engagement, communicate positive results and reward excellent behavior. Promote broad recognition by acknowledging those supervisors following protocol.

Summary

While the complexity related to absence management is daunting, the potential for process and efficiency enhancement is substantial for employers of all sizes and industries. While the direct costs associated with health and retirement planning often dominate the agenda of HR strategy meetings, the hidden costs that result from employee absence are becoming an increasing challenge and warrant diligent focus.

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Once implemented, a sustainable leave management process is best leveraged through consistent, ongoing management. For employers outsourcing absence management for the first time, it is important to move away from the mindset of short-term project work and towards a stewardship approach focused on continual communication, process measurement and vendor monitoring.

A focused strategy that is uniquely tailored to integrate with your existing benefit programs and administrative practices can generate substantial productivity enhancements. When properly implemented, this strategy can help you achieve increased shareholder value, enhanced client service, and improved workforce morale.

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