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Best practices in absence & disability management

The complete guide for today's people leaders

Business. Needs. People.

Contents

CHAPTER 1

About
this guide

1. About this guide

Only in the movies does absence make the heart grow fonder.

For many HR leaders today, workforce absenteeism is a major challenge – often poorly managed – because of outdated strategies, systems, policies and processes, all in need of a makeover.

As this guide sets out to clarify, workforce absenteeism is:

- ⊙ A source of high – and constantly rising – direct and indirect costs.
- ⊙ A serious drag on productivity, however it's defined.
- ⊙ A huge factor in undermining your people engagement strategies.

What's worse, the sources and complexity of the problem are often hidden. Or put another way: absenteeism is an organizational pathology often misdiagnosed, and, as a result, not effectively managed or mitigated.

Absence, in short, truly makes the organization grow weaker.

1.1 What it is

This is more than a deep dive into the absence problem and the business case for changing traditional and outdated approaches.

It's about best practices for the specific needs of your organization.

Our purpose ultimately is to help HR leaders who are struggling to cope with workforce absenteeism and looking for practical, useful advice on addressing the challenge through best practices, not just strategically, but tactically.

1.2 How it can help you

This guide takes a holistic view of workforce absenteeism as an organizational challenge – but also an opportunity for change:

- ▶ It provides **objective insight into the problem** in all its complexity.

- ▶ It gives a **summary of best practices** that transform absence from a problem into an opportunity for delivering measurable outcomes.

- ▶ It objectively presents **solution alternatives** to help you make the best choices for your organization, workforce culture and employees.

- ▶ It concludes with a series of **case studies** featuring the innovative absence management strategies described in this guide.

Today's best-in-class employer understands the direct link between employee health and organizational success. As we see it, every employee matters, every dollar matters, every absence matters. The question is: how much does managing absence strategically matter to you?

Our purpose is to help HR leaders who are struggling to cope with workforce absenteeism and looking for practical, useful advice on addressing the challenge through best practices, not just strategically, but tactically.

CHAPTER 2

The business case for a strategic approach to absenteeism

2. The business case for a strategic approach to managing absenteeism

It can be argued that traditionally absence has been managed in isolation, as a standalone and reactive administrative function within the benefits group, mostly disconnected from larger organizational priorities or objectives such as cost management, productivity, or employee engagement and retention.

But some HR leaders – still a minority today – have realized that a more strategic, progressive approach is required that involves taking a holistic view of the absence problem and its total impact on their organizations.

One important trend shaping new strategies is the notion of adopting an integrated, proactive approach to managing all absence sources, ranging from casual/incidental absence to non-occupational and occupational disability.

As well, some organizations are also now linking their strategies to goals that have measurable outcomes, like promoting sustained attendence at work and preventing or minimizing downstream costs.

Where are you with your absence management strategies? Are you taking a strategic approach? Are you all the way there? Or just getting started?

2.1 Defining absenteeism

It appears simple enough: absenteeism in the workforce refers to unplanned absences. Though the costs of these absences may seem relatively easy to establish, the actual loss to an organization is more complex to fully define:

> **Absenteeism costs** – *the total cost of paying absent employees for zero productivity, including incremental costs for replacement labour, overtime, administration, management time, and insurance premiums.*

And in that definition, you may find surprises you hadn't counted on when it comes to calculating the true – or real – costs to your organization.

2.2 Calculating the true costs of absenteeism (a checklist)

To understand how our absence definition translates into actual costs there's a little work involved. To help, we've provided a checklist of inputs that take into consideration the direct and indirect costs of absence.

As you review the checklist, keep in mind that **studies suggest absence accounts for up to 5% of total payroll** in the private sector and even more in the public sector.

Further, in most industries these costs are growing because of factors like the aging population, rising health and medication costs, and increased diagnoses of mental illness.

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Total cost of absence: a checklist

Direct costs

- ☑ Salary/payroll costs for absent employees

- ☑ Overtime costs to cover for absent employees

- ☑ Insurance premiums and costs related to absence

- ☑ Short-term disability (STD)

- ☑ If you're on a salary continuance model, you need to count salaries paid to employees on STD. If that's not measured, multiply average salary by average STD duration

- ☑ Administering and managing Workers' Compensation (WC) and STD either internally, through a third party or through an insurance carrier

- ☑ Workers' Compensation premium paid to your provincial board

- ☑ Your long-term disability (LTD) insurance costs

Indirect costs

- ☑ Replacement costs: recruiting, training and integrating new or temporary employees

- ☑ Management costs: time and effort spent by people leaders to manage the effects of absence and replacement

- ☑ Productivity loss: work not done because of an absence

- ☑ Client services costs: problems or penalties caused by delays or lower service standards

- ☑ Employee morale: psychological costs on employees who have to pick up the slack with a heavier workload

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Indirect costs are harder to calculate, and vary across organizations and industries, even between business units and departments. But these costs are very real. Studies show they can range from 50% to as high as 500% of direct costs. Whether you can attribute an exact number or not, indirect costs must be accounted for to get a true perspective on the cost of absence.

2.3 Absenteeism drivers

Absenteeism is not only a costly problem, it's a complex one where all too often the symptoms and their severity are misunderstood, underestimated or even ignored completely. Unfortunately, this can sometimes imply management apathy with respect to addressing the absence problem.

For example, in a survey conducted by Morneau Shepell, **90% of employers said they believe that absenteeism is "very costly" yet only 52% say it constitutes a real "problem" for their business.** This tells us that the prevailing wisdom seems to be that while absenteeism costs are high, it's only the cost of doing business, and there's little to be done about it.

In that same survey, employees also reported that 52% of their absences were non-medical in nature. Yet most employer programs focus on the medical components of absenteeism and ignore other drivers.

A 2013 conference board report concludes that absenteeism is affected by three main drivers: organizational influences, personal characteristics of the employee, and societal influences. Specific problems include:

- ▷ **Weak team morale,** resulting from poor retention and engagement strategies and/or unprofessional management behaviour

- ▷ **Poor policy design** for employee downtime, e.g. not providing time off to care for family members or manage eldercare or childcare needs

- **Poorly designed or managed workloads,** or role uncertainty

- **Workplace stress**, including conflict and bullying

- **Weak employee health and wellness programs**, or good programs that are poorly promoted and therefore suffer from low adoption rates

How well does your organization understand its absence drivers?

2.4 Why employers don't track absence (but should)

Currently, only 36% of employers actually track absenteeism today. Here are some reasons why a significant majority of employers don't:

- **A lack of understanding of the issue.** Why track absences, the argument goes, if there's really nothing you can do about it? It's just an unchangeable cost of doing business when people get sick.

- **Absence is viewed narrowly as a "medical issue"** and not an important indicator of the health or the productivity of the organizational culture. Put another way, you don't see the opportunity to make your organization stronger by tracking absence and understanding, precisely, if there is a larger organizational culture or policy problem.

- **In some organizations, the people who are or should be responsible for tracking absence are just too busy** – overwhelmed themselves.

- **Outdated technology or systems** that make tracking absence a nightmare. It's just too hard, basically. Or you perceive it as being too costly to invest in better technology, systems and process.

- **Ignorance of the legal risks in not tracking absence** – for example, if your organization wants to terminate an employee for not showing up for work or doing their job properly, how can you make that case without having the data to know whether they're at work or not?

- **Privacy concerns** – in some workplaces governed by collective agreements, especially those with negotiated conditions around employee privacy, the people leaders in these organizations may see it as too difficult to introduce an approach to absence management that involves unionized employees disclosing information on why they're not at work.

- **Some don't want to track absence because it would suggest a corresponding responsibility to do something about it.** As they say, what you measure, you can manage. So if you don't measure absence, you don't have to manage it. Do you identify with any of these reasons?

2.5 The business case for a more strategic approach

2.5.1 The obstacles to change

Most employers understand the necessity of managing attendance, yet absenteeism continues to pose significant challenges and incur significant costs. A number of obstacles stand in the way of effective attendance management:

- **Absenteeism costs are often hidden or indirect,** making it difficult to quantify the problem and prioritize implementing a solution.

- **A lack of knowledge** about preventative absence avoidance strategies limits many organizations to a narrowed focus on reactive risk management, wherein the problem is addressed in multiple, non-integrated programs that are not linked to organizational goals.

▶ Commitment to attendance management improvement requires **sponsorship from senior leaders** and decision makers who can integrate absence issues into larger corporate and people strategies. Without that sponsorship, nothing strategic happens.

2.5.2 The problem of outdated approaches, systems and process

The plain fact is, absence management is too often administered today through legacy or outdated technologies, systems and benefits processes that don't take into consideration the full scope and reality of the problem.

The focus in too many programs is still on the basic administration of absence – e.g. getting medical notes, validating the absence, then relying on doctors to decide whether someone is ready to return to work or not. It's a reactive model with little emphasis on prevention and early intervention.

Moreover, these programs, being so reliant on doctors, do not have at their disposal a network of professional case managers who consult with all the relevant multi-disciplinary experts on return-to-work issues – not just medical. Truthfully, how can a general medical practitioner decide whether someone can return to work, other than by making what at best is an educated guess?

There's a strong business case for change when you look at the limitations of traditional approaches to absence management. Consider these factors:

▶ **High costs** – if the total cost of absence on your organization is 5% or more of your payroll, that's money that could be utilized better.

▶ **Complex and ineffective absence administration** – so often everything from claims management, to interacting with the medical community is a time-consuming nightmare for all

involved. Often there is too much paper in print and digital form. It seems it's more important to get the forms right than to actually help people who need help.

▶ **Poor support for people who need help** – traditional approaches to absence management tend to be reactive and make people feel like cogs in a machine, not real people with real health issues who need understanding, empathy and proper, expedited access to medical care, experts and other resources to get back on their feet. Traditional approaches aren't very good at implementing proactive prevention and early intervention models when it comes to employee health.

▶ **A lack of data and modern reporting tools** – traditional absent management tools, databases and applications were not designed to generate real-time reports that leverage "big data" methodologies, which allow organizations to fine-tune their people strategies, measure progress against objectives, and benchmark against industry norms.

▶ **No mechanisms for risk management** – if you don't measure or track absences, you're ignoring a potentially powerful source of data to help you understand how your people are performing and whether any negative patterns are arising in their behaviour with respect to absence.

2.5.3 External factors/trends driving change

It's not just the internal business case that's driving change. External social, economic and technological trends are also at work:

▶ There is increasing awareness in the mainstream of the strong link between employee health, engagement and organizational productivity.

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◉ Technology:

- **Innovation in digital and mobile technologies** makes it easier and more cost effective to deploy capabilities for tracking, managing and optimizing your approach to absence management.

- Employees today expect **a richer, simpler and more efficient digital experience** in how they access their benefit programs. They want it as simple as booking an Uber car or Airbnb room.

- There are new opportunities to use technology flexibly and, where appropriate, to **outsource elements of your solutions to get best-in-class capabilities affordably.**

◉ There is a changing perception of mental-health pressures in the workplace and the need for organizations to be more proactive in providing support to their employees who may be suffering as a result.

◉ **Changes in human rights and employment legislation** makes it more important than ever to have a more defined emphasis on ensuring employers create healthy – or wellness-oriented – conditions in the workplace that truly respect people.

Any way you look at it, change is happening in absence – with more on the horizon. How ready for you change are you?

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CHAPTER 3

Best practices

In absence & disability management

3. Best practices in absence & disability management

The biggest opportunity for many organizations today is transforming how they manage absence from a process that is largely administrative into a vital component of an integrated health and productivity strategy.

What does that mean, practically speaking? And how can you get there?

In this chapter, we'll suggest a strategic approach – designed around six principles – for absence management.

You'll also find a summary of best practices, along with some insight into common problems and current issues faced by organizations in how they manage absence and disability.

> As you consider ways to modernize your approach to absence and disability management, keep in mind the needs of your people leaders and the demands placed on them in complex workplace situations.

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3.1 Strategy: 6 principles for managing absences strategically

1. Integrate your core programs in health and wellness (e.g. employee assistance programs), attendance management and disability management.

- ⊙ The logic for an integrated approach starts with the idea that, regardless of the source of disability, many of the tools and resources used in separate absence management or return-to work-programs are actually the same. This offers the potential to link best practices across all your lines of employee support.

- ⊙ Among the main benefits of this approach is that employees can avoid unnecessary absences by being connected to proactive care and assistance across different programs, including support through early identification and intervention.

- ⊙ By connecting your programs, an employer fosters an all-inclusive and care-based environment that can also optimize and streamline administration.

2. Implement effective tools to track and manage absence in real time.

- ⊙ Many employers still work with antiquated absence reporting systems that only provide lagging or 'snapshot' data that do not help to identify early risk.

- ⊙ There are cost effective solutions out there today for much better data gathering, reporting and workflow management. They not only help with real-time support of employees and all stakeholders, but can help to guide and support your business strategy.

- ⊙ You can't manage what you don't measure: so tracking, reporting and trend analysis are key capabilities in best-in-class programs.

3. Up your game in case management.

⊙ Case managers manage risk for your company. They should be well trained in best-practice disability management and supported by the best tools, resources and information – both legislative and health-related. This is critical for them to succeed at helping people navigate the health-care system towards recovery – and a timely return to work – enabled by active, evidence-based treatment modalities.

⊙ Professional case management is particularly relevant as the conditions driving disability (e.g., mental health) are increasingly complex, and the appropriate resources through the public health-care system are often scarce or difficult to access.

⊙ The reality is, the right provider of case management support acts like an extension of your organization so choosing a provider should take into consideration the likelihood of synergy, collaboration and value alignment between their team and yours.

You can't manage what you don't measure: so tracking, reporting and trend analysis are key capabilities in best-in-class programs.

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4. Guarantee privacy.

⊙ Employees tend not to come forward to get help until they are assured their private lives and medical health issues are not under scrutiny by their employer. Employees rightfully expect this protection.

⊙ It is critical that reporting and claims management programs be facilitated through secure channels, methods and modalities that meet or exceed privacy laws. This will go a long way to encouraging employee participation.

⊙ Effective partnerships with external vendors do not mean losing control. To the contrary, they can and should provide more direction and guidance for employers/people leaders, and the people they manage/support.

5. Equip your people leaders.

⊙ Even in cases where an external provider may be contracted to administer your absence and disability program, your people leaders are always going to be a critical part of a successful solution. They too need the right tools and knowledge to identify risk, to support smooth and supported reintegration of employees after prolonged absence, and to manage workloads for those who remain on the job.

⊙ Investing in the training and coaching of people leaders is essential to a healthy workplace culture where everyone is accountable for engagement and productivity.

⊙ As you consider ways to modernize your approach to absence and disability management, keep in mind the needs of your people leaders and the demands placed on them in complex workplace situations.

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6. Work with partners you can trust.

⊙ How much can you – or should you – do on your own? How much of your process or approach should you outsource to external partners in absence management?

⊙ These are serious questions, because the stakes are actually high: how you treat employees when they are unable to work is a very important part of the employer/employee relationship and the overall employment brand.

⊙ The reality is, in today's world, employers can't always fully or effectively manage a modernized and effective absence management strategy on their own, especially if you are looking to integrate or unify all the programs in your strategy or take advantage of best-in-class solutions.

⊙ Innovative, adaptive, a proven track record in delivering program ROI – this is the kind of trusted partner you need in managing absences strategically in your organization.

Finding trusted partners to drive better results and strengthen your relationship with your employees is critical.

3.2 Best practices: attendance management

Policy and plan design

⊙ **Have defined and clear policies for attendance and disability management**. These policies should be integrated, but also have their own unique features to reinforce participation, accountability and collaboration.

⊙ **Ensure your policies, regulations or guidelines are communicated to your workforce** so that there is clarity around eligibility and program requirements. Make this information readily available to your employees, and provide informational pamphlets or documents at each point of application/resource to ensure their understanding.

⊙ **In union environments, it is recommended that plan design and administration parameters not be negotiated as part of collective bargaining.** However, in situations where plan design and administration is part of a collective agreement, it is recommended that:

- The employer engage the union for a collective approach to problem solving.

- Focus be placed on areas of common understanding and agreement first.

- Tackling larger, more complicated or contentious elements should come second.

- The employer anticipate and begin discussions with the union prior to collective bargaining to gauge and align, where possible, mutual goals.

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Plan administration

- **Track attendance in real time** to know what's really happening in your workforce. In doing so, one of the objectives is to generate consistent, reliable data, all towards better enabling real-time referrals for early intervention, which is often so critical in timely return-to-work.

- **Make employee participation and accountability a cornerstone of the plan.** Programs with provider-led and provider-driven processes often struggle to gain employee participation.

- **Ensure that expectations among employees for organizational supports are met,** and easily accessible through various media/program mechanisms.

- **Industry benchmarking and regular evaluation of absence trends** will assist in objectively evaluating your experience vs. program objectives.

Employee support

- **Focus on early identification** of risk and prevention where possible.

- **Offer tools and resources** to support both medical and non-medical barriers that may impact regular work attendance.

- **Workplace accommodations** may also be an appropriate tool to assist in maintaining regular attendance. These need to be clearly identified, and effectively managed. Thresholds should be considered for duration of temporary accommodation vs. permanent disabililty.

Workforce culture

▶ **Great programs are well communicated** – the what, when, why and how of your programs need to be clear, visible, and reiterated often to ensure employee awareness.

▶ **Provide consistent messaging that comes from the top** in regard to the expectations and accountabilities of both employees and leadership.

▶ **Understand the workforce management and environmental factors** that may impact/influence higher or lower attendance.

▶ **Create an understanding that disability does not always equate to absence,** and that opportunities to continue working are never closed.

Heads up: common problems in attendance management

1. **Entitlement** – the mentality that absences are an employee right that need not be actively tracked or monitored either in the interests of accountability or the goal of employee wellness.

2. **Out of sight, out of mind** – if an employee isn't at work, for whatever reason, sometimes it's easier not to inquire why, or ask how the organization can help. This apparent lack of interest on the part of managers (the employer) can manifest in cyclical absence patterns and poor employee morale.

3. **It's someone else's problem** – some managers, especially those with too much on their plate, believe that absences are simply outside their scope of control, that little can be done on their end to help employees be at work, or return to work productively. It's someone else's problem.

4. **Employees who circumvent the process with little consequence,** relying on a 'generally' good attendance record, but not a fully accountable one.

5. **Delays, mixups, inefficiencies and errors in the public health system,** and not being able to secure medical information on a timely basis. A related problem is availability of medical treatment outside of working hours.

6. **Work/life balance** – especially when employees need to support elderly parents or other dependents away from the workplace.

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3.3 Best practices: disability management

Policy and plan design

Similar to Attendance Management (section 3.2.1 above) you need to:

- ▶ **Have defined and clear policies for attendance and disability management.** These policies should be integrated, but also have their own unique features to reinforce participation, accountability and collaboration.

- ▶ **Ensure your policies, regulations or guidelines are communicated** to your workforce so that there is clarity around eligibility and program requirements. Make this information readily available to your employees, and provide informational pamphlets or documents at each point of application/resource to ensure their understanding.

- ▶ **In union environments, it is recommended that plan design and administration parameters not be negotiated as part of collective bargaining.** However, in situations where plan design and administration is part of a collective agreement, it is recommended that:

  - The employer engage the union for a collective approach to problem solving.

  - Focus be placed on areas of common understanding and agreement first.

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  - The employer anticipate and begin discussions with the union prior to collective bargaining to gauge and align, where possible, mutual goals.

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Plan administration

Similar to Attendance Management (section 3.2.1 above) you need to:

- ▶ **Track attendance in real time** to know what's really happening in your workforce. In doing so, one of the objectives is to generate consistent, reliable data, all towards better enabling real-time referrals for early intervention, which is often so critical in timely return-to-work.

- ▶ **Make employee participation and accountability a cornerstone of the plan.** Programs with provider-led and provider-driven processes often struggle to gain employee participation.

- ▶ **Ensure that expectations among employee for organizational supports are met,** and easily accessible through various media/program mechanisms.

- ▶ **Industry benchmarking and regular evaluation of absence trends** will assist in objectively evaluating your experience vs. program objectives.

- ▶ **You also need reliable intervention between employee and employer** – not the physician – at the earliest point in time. For reference, take a look here at the Canadian Medical Association (CMA) policy to guide your intervention protocols and policies.

Employee support

Similar to Attendance Management (section 3.2.1 above) you need to:

- ▶ **Focus on early identification of risk and prevention** where possible.

- ▶ **Offer tools and resources to support both medical and non-medical barriers** that may impact regular work attendance.

Workforce culture

▶ **Create a culture of accommodation** where RTW is important to both employee and organization success. The workplace can include disability, not exclude it. Disability needs to be de-stigmatized.

▶ **Make a commitment to support the employee's transition** back to the workplace and monitor their success. Adjust the transition process as required by analyzing employee and manager feedback in each situation.

▶ **The process of navigating and resolving workplace barriers to RTW needs to happen in the workplace not in the doctor's office.** Doctors are trained to understand illness, not the workplace, generally speaking.

Heads up: common challenges in disability management

1. **Need for effective early intervention** – e.g., just-in-time support and information should be provided to an employee from Day 1 of an absence. This is a key strategy in helping people return to work as early as possible and to lower costs in situations where employees on short-term disability are likely to transition to long-term disability.

2. **Increasing awareness and acknowledgement of mental health Issues.** Related to that is the continuing need to eliminate stigmas that prevent people suffering from mental illness to come forward for help.

3. **The use of medical marijuana as a treatment approach,** and how this integrates into a workplace. This treatment form requires some reconsideration of substance policies and safety requirements.

4. **Managing absenteeism and attendance in a recession** or downsizing environment.

5. **Gender identity, gender equality and human rights matter.**

6. **Personal health and workplace morale/culture** for organizations with increasing numbers of mobile or virtual worksite employees.

7. **The longevity of employee careers** – e.g., employees who delay retirement for one reason or another.

8. **Medicalizing non-medical issues.**

9. **Lack of active employee involvement** in developing case management and RTW action plans.

CHAPTER 4

Alternatives:

Choosing solutions for your organization

4. Alternatives: choosing solutions for your organization

Let's explore several alternatives to help you move towards a best practices approach in absence and disability management.

To set the context, we've highlighted in 4.1 below the key business issues that need to be addressed by any alternative you choose.

As you read through this chapter, you'll be confronted with questions about your openness to solutions that involve elements of outsourcing.

▶ Should we be doing everything ourselves – **in-sourcing** the solution?

▶ Should we be **out-sourcing** to best-in-class experts so we can better concentrate on what we do best – i.e., the mission of the organization?

▶ Or should we implement a pragmatic combination of insourcing and outsourcing – i.e., a **co-sourcing** model – that makes sense for the unique strengths and weaknesses of our organizational culture? If so, what elements should we outsource?

Managers in nearly every strategic function in today's organization are faced with the same questions. That's due in part to technology: software-as-a-service models (SaaS) now allows organizations to license in best-in-class solutions that make outsourcing a very real, beneficial option.

Outsourcing exists on a spectrum – or continuum. No one size fits all. You can outsource some elements of your program to start with, and graduate to doing more, all depending on your needs and your comfort level.

4.1 Key business issues

A best-in-class absence and disability management solution must be responsive to four key business issues that more than ever require ongoing analysis of your organization's needs and capabilities.

1. Simplified and effective administration

- ⊙ Interacting effectively and speedily with the medical community

- ⊙ Managing claims accurately and responsively in alignment with best practices

- ⊙ Adapting to the diverse requirements in managing complex cases

- ⊙ Ensuring privacy protection (PIPEDA compliance)

- ⊙ Standardizing and controlling all program parameters – consistent approach across the entire organization

- ⊙ Reducing time/effort on administration – simplified means to connect all stakeholders with appropriate expertise and resources

2. Support for your people

- ⊙ A "people first" approach for a positive employee experience

- ⊙ Expedited access to care

- ⊙ Clear and effective communication with employees and people leaders

- ⊙ Support and assistance for managers

  - to track and monitor absences on their teams (including disability management) without interfering with their focus on business/operational needs.

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- to help with the adoption of organizational illness or injury prevention strategies, which requires employee buy-in to make these strategies a success.

⊙ Provide programs that support employees: alternative work arrangements, telecommuting, compressed work week, job sharing, emergency child care, EAPs, flu immunization, on-site child care, wellness programs, on-site health services, elder care services.

3. Reduction in the cost of absenteeism

⊙ Gain the ROI involved when investing in any new solution

⊙ Reduce surcharges/insurance premiums

⊙ Eliminate administrative inefficiencies/role redundancies

⊙ Reduce lost time frequency/duration

⊙ Shorten claims duration

⊙ Reduce LTD incidents and costs

4. Metrics and trend reporting

⊙ Get a unified, real-time view on demand of all organizational absences

⊙ Assess absence trends by demographics or organizational hierarchy/function

⊙ Benchmark against industry norms or historical performance

⊙ Better diagnose absence cost drivers and alignment with program objectives

⊙ Better manage overall risk strategy with better data at your fingertips.

4.2 Solution alternatives

Managing the organizational impact of absenteeism requires a comprehensive strategy that has several key, interdependent components:

- ▶ Policy / Plan Design

- ▶ Efficient and Effective Administration

  - Process management

  - Data / information management

  - Application software

- ▶ Professional case management

- ▶ Effective support programs to address all absence drivers

  - Medical (mental health, physical health)

  - Workplace (conflict resolution, harassment, bullying)

  - Personal (relationships, financial, lifestyle)

  Governance
- ▶
  - Program metrics / evaluation

  - Strategy and ongoing improvement initiatives

These components, generally speaking, can be achieved and in many cases complimented by any one of the following three different solution alternatives.

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4.2.1 In-sourcing solutions

A best-in-class insourced model – in its simplest definition – is about bringing application software into your IT environment that you mostly install, manage and customize on your own. In addition, and strategically, this model requires:

- ⊙ **Oversight on overall policy and plan design,** and the process of claims administration.

- ⊙ **Access to case management interventions,** most often through a network of external professionals.

- ⊙ **A program consultant** to align the absence/disability strategy to organizational goals, e.g. creating a healthy workplace culture.

The program consultant – either an internal or external resource – is ultimately responsible for the organization's best interests while assuming an advocacy role for multiple stakeholders including management, unions, employees and clients.

To achieve the best results, this type of program requires effective tracking, reporting, and data and workflow management. Many functions associated with administration are most effective when automated to achieve consistent and replicable results. Real-time data also helps to assess risk quickly and to ensure the effective mitigation or management of that risk.

The technology required for an insourced solution includes software for:

- ⊙ Absence Reporting

- ⊙ Workplace Illness / Injury Reporting

- ⊙ Case Management Administration

- ⊙ Accommodation & Incidental Absence Case Management

- ⊙ Sick Leave/Disability Case Management

- ⊙ Workers' Compensation Case Management

The investment required in these technology solutions depends mainly on the scope of work, level of configuration vs. customization, and number of users.

When insourcing software, the obvious challenge with complex enterprise applications is that there can be hidden costs and major operational challenges in integrating and internally managing your solution efficiently.

Insourcing software is most effectively done when an organization has the IT/organizational capacity – a mature IT team – to fully understand how best to configure, customize and upgrade your solution as required.

However, even large organizations may need ongoing technical support and training from external consultants to avoid common problems that undermine system operations and to ensure maximum ROI on their investment.

4.2.2 Outsourced solutions

Increasingly, organizations are looking for both enhanced technology solutions and better support programs to address the complexity inherent today in absence and disability case management.

While organizations generally need to maintain internal accountability for supporting RTW strategies and resolving workplace issues, many choose to outsource technology for program administration.

Outsourced program administration options include:

- ⊙ Absence Reporting

- ⊙ Incidental (Intermittent) Absence Case Management

- Accommodation Case Management

- Disability Adjudication

- Disability Adjudication + Case Management Services

- Specialized Medical Assessments & Access to treatment

- Workplace Interventions

At the same time, best-in-class organizations are now turning to outsourcing for helping employees access the appropriate programs/experts to resolve their medical and non-medical issues for being away from work.

There are several reasons why:

- They can gain a **broader health management framework** to permit a truly integrated experience for employees beginning on day one of the absence and continuing through a sustainable return to/or stay at work.

- An outsourced model can help to **avoid the unnecessary "medicalization" of absences** and ensure employees have access to support such as referral to EFAP and other resources that can support the non-medical aspects of their absence.

- **Utilizing a larger network of specialized professionals and resources,** an outsourced model can provide additional opportunities to support recovery and promote timely, safe, and meaningful return to work.

Given that mental health, chronic disease and workplace stresses are driving disability levels up, employees today often lack the resources and support they need. And what they need most, in these situations, is access to effective case management rooted in identifying and helping them resolve their health and/or workplace/personal stress issues.

The right investment of outsourced support for these services depends on factors such as levels of internal expertise and budget.

Benefits include:

- ◉ Consistent access to professional resources

- ◉ Better support for employees to resolve medical/non-medical issues

- ◉ Proven practices, aligned with best practices that generate results

- ◉ Continuous program evaluation and improvement

- ◉ Reduced organizational risk, particularly relative to personal information protection

- ◉ Software applications to drive efficiencies and information management

4.2.3 Co-sourced solutions

Outsourcing exists on a spectrum – or continuum. No one size fits all. You can outsource some elements of your program to start with, and graduate to doing more, all depending on your needs and your comfort level.

In other words, you can think about adopting a co-sourcing model, where you and your providers can have separate and/or shared accountabilities across all parts of a total solution. Co-sourced solutions take different forms:

- ◉ **Some organizations insource best-in-class technology for the program administration functions but outsource case management to external providers** So: a clear division between administration and support. This works best in organizations with strong, flexible IT organizations capable of managing new, complex HR-related applications. It provides the best of what your internal IT team and external consultants offer.

▶ **Some organizations insource some but not all the administration functions, while also outsourcing case management to external experts.** In these cases, the users of the software – both client and provider – divide up the management of administration tasks. Sometimes this model is more about training the client to use the technology, and helping them become comfortable with outsourcing. In some organizations, there may be rules that forbid outsourcing functions where employee information/privacy is a concern.

▶ **In many situations, organizations will want to maintain responsibility for functions such as RTW plans and monitoring and resolving workplace issues** – core HR issues. Typically these resources tend to reside in either HR or Health & Safety. Larger organizations typically designate resources for this role.

▶ **In the private sector, most large size organizations have opted to outsource the software, administration, and many of the support programs for disability.** This would typically include case management services and specialized health assessment and recovery programs.

The public sector has been slower to move towards outsourced administration, but is increasingly under scrutiny given pressure on costs and finding efficiencies in administration.

4.3 Outsourcing – opportunities and realities

In developing a best-in-class disability management program, organizations will likely consider some form of outsourcing. To make the right decision, it helps to understand not just the opportunities – but the realities about outsourcing in coming to a decision about which alternative to choose.

The opportunities in outsourcing:

- ▶ **Better employee support** – Some external benefit providers offer access to programs built around deep consulting networks – case managers, medical specialists, mental health professionals and caregivers. These networks are impossible for you to develop or access on your own.

- ▶ **Leverage innovation in technology**, especially in software-as-a-service solutions (SaaS) that provide much better options for enabling, managing and optimizing corporate functions, including full or partial administrative outsourcing. Better yet, by outsourcing these solutions, you don't have the burden of managing technological evolution internally.

- ▶ **Reduce your costs** – The value proposition or ROI in outsourcing models is why they're increasingly popular: lower your capital outlay, gain access to best-in-class capabilities, and lower your administrative/IT overhead in managing complex systems.

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Myths and Realities

Three myths about outsourcing in particular stand out when we talk to prospective clients. But these myths don't often stand up to the realities.

- ▶ **Myth # 1: It's too costly.** Reality: There's a tendency to look at the upfront costs, not the full business case. Classic "sticker shock" syndrome. Payback or Return on Investment (ROI) of 5:1 is a proven outcome with outsourcing models.

- ▶ **Myth # 2: We lose control.** Reality: You get much more control over your process with modern outsourcing solutions for enabling, managing and optimizing your approach to absence and disability management.

- ▶ **Myth # 3: Loss of confidential information.** Reality: A legitimate third-party provider, whose proven expertise is protecting and securing data, is more likely to better protect your information than your internal team, especially in this era of increasingly sophisticated cyberhacking threats.

In the end, the decision you need to make is not one of either outsourcing or insourcing absence management, but more appropriately a consideration around the right levels of internal and external investment to optimize against program objectives and ROI.

CHAPTER 5

Case studies

from Morneau Shepell

Case studies from Morneau Shepell

In this chapter, you'll find five case studies, in summary form, featuring the measurable outcomes delivered from best-practices in Absence and Disability Management Solutions provided by Morneau Shepell.

They feature the capabilities outlined throughout this guide – alternatives available to your organization.

Case studies by sector include:

1. Media / Communications

2. Retail

3. International consumer packaged goods company

4. Oil and Gas

If you'd like a deeper perspective on these case studies and how similar solutions might help your organization, contact us for a free consultation today.

absencemanagementsolutions@morneaushepell.com

Case study 1

Canadian communications and media company with headquarters in Toronto and 28,000 employees across Canada

The opportunity

Significant intermittent absence in some departments

Concerns that the root cause of absenteeism was not being addressed as well as frequency and duration increases

Wanted to be more proactive in accommodating employees with disability/absence issues

The solution

Early intervention case management with root cause identification

Robust process model with clear roles and responsibilities

Increased communication with all key stakeholders

40% Employees triaged back to work without moving to STD

$300,000 WCB Premium cost savings through consultation on claims history

↓ **70**% Reduction in key area of absenteeism (repetitive strain)

Case study 2

A retail company with more than 1,200 stores across Canada

The opportunity

High frequency and duration of disability

Communication and operational inefficiencies

The solution

An integrated program that addresses claim process, employee assistance program and wellness initiatives

Improved communication process that includes streamlined administration and early outreach to employees affected

↓ **20**% Decrease in LTD frequency

▶ Reduced disability management expenses have made more funds available for wellness programs

↑ **10** Annual Employee Engagement Survey scored 10 points higher in the area of employee health and wellness

▶ People managers feel better able to support employees due to new tools

↓ **37**% Decrease in STD Duration

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Case study 3

International consumer packaged goods company

The opportunity

Disparate access points for WCB services

Lack of central accountability for offer of modified work

Separate programs for different company divisions

Particular challenge with certain divisions

Surcharge position in 2013

Main focus was program integration (with AR, STD, Health Safety & Risk)

The solution

Focus on early intervention and identification of immediate offer of modified duties through 24/7 call centre

Improved program governance through effective communication and streamlined administration processes

Partnership with all stakeholders to deliver an excellent client experience

↓ **16**% Reduction in lost time incidents for WCB

↓ **55**% Reduction in STD Duration

↓ Lost Time claim duration reduced by **65.8%**
Modified Time duration reduced by **36.2%**

DM Program Net savings of
$1,165,141

Net premium savings in one year (pre/post program) for WCB
$975,391

Case study 4

Oil & gas sector company with unionized employees across Canada

The opportunity

Fragmented and inefficient delivery of employee health services

Lack of metrics and reporting

Costs believed to be out of control

Reliance solely on a medical model for assessing disability

The solution

Fully integrated Health Management program including Attendance Support Line, Short Term Disability (STD) and Workers' Compensation claim management, Pre-placement Medical Examinations, and EAP services

Worked with five unions to ensure a high level of engagement in program

Identified trends within the various business units and developed solutions targeted to specific work areas

91% positive responses in Employee satisfaction surveys
93% positive responses in Manager satisfaction surveys

↓ **13%**
decrease in average days lost for Mental Disorder cases

↓ **48%**
Reduction in duration for STD (from 42 days to 20 days) maintained from program start (2007-2016)

↓ **29%**
number of WCB days lost per claim (from 33 days to 24 days)

CHAPTER 6

The true picture of absenteeism

2014 Research Report

6. The true picture of absenteeism – 2014 Research Report

Executive summary

Despite reports of the multi-billion-dollar impact of employee absenteeism on the Canadian economy, as well as evidence of the mitigating effect of integrated absence management strategies, employers may be unaware of the extent and causes of absence issues within their own organization.

In 2014, the Morneau Shepell research group surveyed employers, employees and physicians across Canada to gain a better understanding of the underlying factors that predict absenteeism in order to define effective solutions.

- ⊙ The study found that slightly more than half **(52%) of incidental absence is not due to illness.**

- ⊙ **Work-related factors** were found to play a role in predicting whether the type of incidental absence is related to illness or non-illness reasons.

- ⊙ The study further found that non-illness related absence (absence that is not related to either a mental or physical health issue) is **more likely where workplace stress was reported by the employee,** and where the employer did not support mental wellness.

When considering prevailing solutions, the current use of medical notes was called into question by physicians themselves.

- ⊙ Several physicians indicated that there is **no medical value to physicians' notes** and this use of the physician's time is not appropriate. Only 5% of those who commented indicated that medical notes had any value in managing absenteeism.

▶ For both incidental and disability absence, physician responses pointed to a **need for greater workplace ownership and problem solving** regarding employee absence. Employee responses regarding incidental absence suggested the same, but more from a preventative than problem-solving perspective.

Presenteeism is also noted as an issue.

▶ A higher proportion of employees indicated that presenteeism is a serious issue in their workplace than did employers.

▶ A lack of organizational support for mental wellness was found to predict presenteeism, in addition to non-illness related absence.

Key findings

The study's findings suggest that absence is not random. The predictors of both illness and non-illness related absence can be influenced by an employer. Three foundational recommendations are provided in the conclusion of this report, along with the rationale and critical features suggested for each:

1. **Implement an attendance reporting and tracking system;**

2. **Ensure that expert problem-solving resources are available** to resolve the return to work barriers for employees on disability leave, as well as those with chronic health issues that impact work; and,

3. **Assess and address the specific work factors in the organization** that predict illness related and non-illness related absence.

To download a PDF version of the full research report, visit the Morneau Shepell website.

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Morneau Shepell is the only human resources consulting and technology company that takes an integrative approach to employee assistance, health, benefits and retirement needs. The Company is the leading provider of employee and family assistance programs, as well as the largest administrator of retirement and benefits plans, and the largest provider of integrated absence management solutions in Canada. Through health and productivity, administrative, and retirement solutions, Morneau Shepell helps clients reduce costs, increase employee productivity and improve their competitive position. Established in 1966, Morneau Shepell serves approximately 20,000 clients, ranging from small businesses to some of the largest corporations and associations in North America. With almost 4,000 employees in offices across North America, Morneau Shepell provides services to organizations across Canada, in the United States, and around the globe. Morneau Shepell is a publicly traded company on the Toronto Stock Exchange (TSX: MSI).

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