



HUB

Absence Management in the Employee Lifecycle:

Building a data-driven, integrated approach to improving health and productivity

Why You Need an Absence Management Program

High-performance companies need high-performing employees who:

- ♀ Have the right skills,
- ♀ Are motivated and engaged, and
- ♀ Want to be at work.

This workforce ideal doesn't occur organically. Companies must create a 21st century Absence Management Program to handle 21st century issues. Such a program includes best practices that reduce absenteeism, promote health, and bolster productivity. In general, [absence management programs are predicated on two rules:](#)

- ♀ Health and productivity are intertwined
- ♀ All lost time is connected.

When you look at both employee health and absence costs you'll discover that 15% of employees account for 85% of program spending. And of those 15% who drive up costs, more than 60% are likely to be off work.

An effective Absence Management Program can help identify, measure and address all employee absences, and create strategies and solutions to mitigate employee absence whether they are due to illness, injury, stress-related conditions, family-related issues, and/or a lack of engagement. [Ultimately, an AMP can help:](#)

- ♀ Cut direct and indirect costs of absenteeism,
- ♀ Reduce the incidence of unscheduled absences,
- ♀ Promote a culture of health and productivity within your company.

COST OF ABSENTEEISM

There are significant dollars spent on chronic illness, medical, disability and lost time costs. An effective absence management program must first recognize that health and productivity are interconnected. On the other hand, an ineffective absence management program can lead to mistakes and lack of compliance with federally-mandated programs such as the Family & Medical Leave Act and the Americans with Disabilities Act Amendments.

With such widespread impact, it is no wonder that employers today are looking for benefit plans and absence management strategies that support a culture of health and promote productivity. As research has shown, healthy behaviors translate into fewer health risks for employees, as well as lower prevalence of chronic conditions, reduced absenteeism, and higher performance while on the job. A culture of health enhances psychosocial factors, including a work environment "of mutual respect, encouragement, trust, openness, and sense of mission," in which employees are given opportunities to develop and "do what they do best every day."¹

¹ Ray M. Merrill, Steven G. Aldana, et al., "Self-Rated Job Performance and Absenteeism According to Employee Engagement, Health Behaviors, and Physical Health," *Journal of Occupational and Environmental Medicine*, January 2013, Vol. 55, No. 1.

Building an Effective Absence Management Program

COST OF LACK OF ABSENCE MANAGEMENT

As the saying goes, what isn't measured can't be managed. All too often, companies fail to track lost time or types of leaves. Large employers are less likely to track absences among exempt or salaried employees; smaller companies are less likely to have human resource information systems to track lost time accurately. Lack of tracking may result in misunderstandings or underestimation of the impact of absences; furthermore, leave reporting may not be timely or follow protocol. Other priorities often interfere with focusing on absence management. These are symptoms of Corporate Attention Deficit Disorder (CADD).

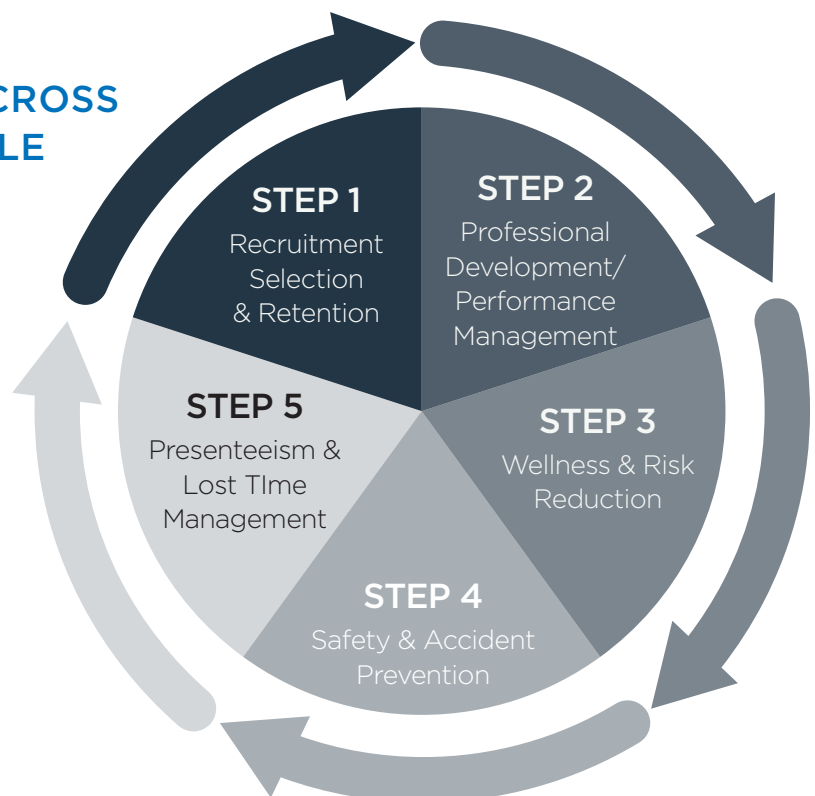
[Companies suffering with CADD:](#)

- ♀ Do not focus on tracking lost time trends
- ♀ Are unaware how such data would be useful for long-term planning and
- ♀ Do not understand how lost time affects resource allocation.²

What's needed is a comprehensive, tailor-made absence management solution based on the employer, its needs and priorities, and the demographics, health issues, and needs of the employee population. Effective employer policies and practices connect health and productivity, particularly strategies that are prevention-focused as well as return-to-work and stay-at-work programs. A comprehensive approach implements centralized checks and balances, including tracking and measuring, with clearly outlined responsibilities to ensure reporting and data entry.

ABSENCE MANAGEMENT ACROSS THE EMPLOYMENT LIFECYCLE

Effective absence management programs are comprehensive and integrated across the employment lifecycle, from recruitment through development and promotion, with support for employee health and productivity at every stage. In this section we will look at some of the ways that absence management strategies can be applied to the employment lifecycle to achieve multiple workforce management goals.



Healthy Absence Management

STEP ONE: RECRUITMENT

Absence management begins with the hiring of people who are committed, engaged and a good match for the job. These individuals, when developed and given opportunities, are less likely to seek time off. When health issues or other circumstances result in unscheduled absences, they are highly motivated to return to work as quickly as possible. Thus, the “fit factor”—the right person in the right job, with opportunities to develop and advance—is of fundamental importance to effective absence management. However, hiring remains a challenge for many companies, regardless of labor market conditions. Best practices in hiring include defining the skills, attributes, and behaviors that are deemed critical to success, attracting a strong field of candidates to meet the talent needs of the company and advance its bottom-line objectives. There are tools that support hiring, which should be employed to ensure the right person for the right job. For example, [the Judgment Index™](#) is a predictive tool that measures an individual's judgment capacity as it relates to decision-making, stress management, how work is valued, and so forth.

The fit factor, however, must extend beyond the initial hiring. Companies should offer onboarding and integration support; otherwise, even with talented new hires, when given the opportunity to “sink or swim, more often than not, they sink.” The trend extends to C-level new hires. Research has found that 40% of those executives who left the company within two years did so because of failed integration with the new organization. Not surprisingly, turnover was highest in positions requiring the greatest level of integration.³

STEP TWO: ENCOURAGING HIGH PERFORMANCE

Along with recruiting, encouraging employee development to garner high employee performance is essential. Talent management is not an “end in itself” limited to employee development and/or succession planning. Rather managing talent contributes to the organization's overall objectives.⁴ Managing talent provides opportunities to identify high-potential employees who are groomed for growth. Formal training and development occurs on the job, through various assignments, multifunctional task forces, and mentoring/coaching. Employee development is critical to retention because it engenders and communicates commitment on both sides, as the company invests in the individual's development and the individual increases his or her contribution to the company. Without sufficient development, talent will leave. Young high-potentials, in particular, will seek employment elsewhere if they are not adequately trained and developed. An increasingly popular benefit for high potentials, executives, and up-and-coming leader is personal coaching to improve engagement and performance.

In our work with scores of employers over the years, we have observed the differences in mindset and attitude among employees who feel connected to and valued by an organization and those who do not, which becomes evident during times of absence and return-to-work. Performance management programs that focus on professional and personal development all provide avenues for enhanced individual performance and thus, company productivity.

³ Fernández-Aráoz, C., Groysberg, B., and Nohria, N. The Definitive Guide to Recruiting in Good Times and Bad. Harvard Business Review. Cambridge, MA; May 2009.

⁴ Cappelli, P. Talent Management for the Twenty-First Century. Harvard Business Review, Cambridge, MA: March 2008.

STEP THREE: PROMOTING WELLBEING

Wellness programs are another way to communicate commitment to employees and encourage healthy behaviors that translate into greater engagement in one's life and work and, therefore, higher levels of productivity. In the past, wellness programs have been viewed as optional, and not strategically important.

More recently, however, there has been growing evidence that onsite health clinics with a wellness/health coaching component can help reduce the impact of chronic health conditions and the associated health care costs, which continue to rise as the workforce ages. Many employers have implemented wellness initiatives because they feel it's just the right thing to do.

Effective wellness programs look beyond the anecdotal or the obvious—blood-pressure screenings and encouraging exercise. Depression and stress, in particular, are major sources of lost productivity. Using health risk assessments to identify the needs within the population improve the relevance and potential cost savings of wellness programs. Scope and quality are imperative: unless wellness programs are comprehensive and meaningful, employees will not be engaged. The new focus is on well being—physical, psychological and financial. Addressing these can lead to a healthier more engaged workforce.

The flip side of engagement is disconnection which poses a considerable risk to developing successful absence management and return-to-work programs. Disconnection leads to employees who are ambivalent, reluctant, or see little value in coming back to work. Disconnected employees may feel their employer is disinterested in bringing them back to work. In such cases, *it is not just the injury or illness involved, but potentially psychosocial factors that undermine return-to-work, including:*

- ♀ Low value of work and/or negative work environment
- ♀ Belief that recovery to one's previous work function is unlikely (including fear of re-injury)
- ♀ Presence of multiple impairments and poor medical outcomes of the employer and/or insurance provider.

Even when these psychosocial factors are present, often they are ignored—even though these factors can and frequently do become part of the claim and sabotage return-to-work efforts.⁵

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While these psychosocial factors remain unaddressed, their impact can be misinterpreted as intentional malingering or fraud. Research indicates that truly fraudulent claims occur in only 1-5% of workers' compensation and short-term disability claims. More likely, an employee is "stuck" and experiencing difficulty returning to work, which can set the stage for an adversarial relationship with the employer. Thus, actively dealing with ambivalence and resistance is a less costly approach than pursuing and litigating non-fraudulent cases.⁶

Fortunately, there are also evidence-based enhancers to return-to-work, in particular flexible employer policies, management style, and a non-hostile work environment. Other enhancers include the individual's belief in a high probability of returning to work; flexible employee benefits that support continued work; and the ability to cope with change and multiple stressors. Effective collaboration and communication are essential to supporting the individual's goal of becoming "unstuck" and returning to work.⁷

STEP FOUR: ENSURING SAFETY

Just as wellness programs seek to reduce health risks that lead to unscheduled absences, so safety and accident prevention identify and mitigate risks that could lead to a workers' compensation claim. (Some safety and prevention programs also educate employees about risks outside the work environment, which can reduce the incidence of short-term disability claims.) As safety and disability experts observe, employers must examine their health, safety, and environment (HSE) "equation" in the context of "culture, leadership, liability, and expenses."⁸ These factors must be taken together, emphasizing health and wellness to reduce risks that result in absences. To encourage employees to embrace safety and health from the beginning, these initiatives should be part of new job orientation, education, and training. Safety awareness extends from workplace to home, potentially reducing workers' compensation and short-term disability claims.

⁶ Mitchell, K. Impaired, Disabled, or Just Stuck? Managing Ambivalence and Resistance to Returning to Work. Mayo Clinic's Impairment without Disability Continuing Medical Education Program, Duluth, Minn.: October 14, 2011.

⁷ Ibid.

⁸ Michael Thompson, "Safety and Health - Prevention in the Multigenerational Workplace," *Professional Safety*, American Society of Safety Engineers, May 2011.

STEP FIVE: MANAGING PRESENTEEISM & LOST TIME

Another significant workplace issue is “presenteeism,”—when an employee comes to work but is not fully productive. These “on the job slowdowns” occur largely because of health conditions (for example, headaches, allergies, arthritis, and hypertension) as well as behavioral health issues, such as depression. Presenteeism is not trivial; it can be of great consequence to employers because it is a less tangible and observable symptom of poor health. According to a study from Cornell University Institute for Health and Productivity Studies (IHPS) and Medstat, a health information firm, the impact of presenteeism could be as high as 60% of the total cost of worker illness— even more than the costs associated with absenteeism and medical and disability benefits.⁹

Another reason for companies to pay heed to presenteeism is that it often indicates emerging health issues that reduce productivity. Presenteeism, therefore, can be regarded as a “common denominator for eventual lost time” due to chronic disorders. Research that confirms the existence of a link between presenteeism and lost time illustrates the value of paying attention to signs of an emerging problem, before a lost-time event occurs.¹¹

Presenteeism can be measured and tracked through surveys available in the marketplace. Solutions focusing on health and productivity can ameliorate levels of presenteeism in the organization.

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Case Study **MANAGING LOST TIME**

A large healthcare employer had issues around lost time, as evidenced by longer durations (compared to industry averages) on its lost work days in short-term disability and workers' compensation. Initially, the company focused only on lost time due to workers' compensation, which accounted for about 50% of the lost days. As it adopted a more comprehensive absence management approach, it looked at both workers' compensation and short-term/ long-term disability to uncover causes, trends, and contributing factors. Working with expert consultants in absence management, the company learned that physicians were often making unrealistic return-to-work recommendations, which resulted in employees staying off work for extended periods of time. At the same time, some managers were unintentionally encouraging lost time by not taking people back to work on a timely basis, especially when there were personnel issues. In fact, when there were performance issues, some managers actually encouraged people to go out on disability—an inappropriate use of that benefit program. An assessment showed a need for a multi-purpose strategy.

First, a formal return-to-work policy was adopted, and a program was implemented for non-occupational as well as occupational illnesses and injuries. Communication pathways and tools were created to improve internal connections with employees around elements of the program and expectations for safe and timely return-to-work, as well as externally with medical providers. Manager training was conducted, focusing on the differences between disability and performance. As a result, the company had a cohesive return-to-work policy whereby all employees were eligible for return-to-work, even if they had restrictions or limitations as identified by their physicians. In such cases, modified work was offered to facilitate early return to work, before the employee was “100 percent.” Physicians and managers became aligned as return-to-work partners to reduce the duration and cost of absences. The “absence management dividend” was significant: 30% reduction in short-term disability lost days 15% reduction in workers' compensation lost days and associated costs A 5-to-1 return on investment (ROI) on the return-to-work program after the first year.

⁹ Michael Thompson, “Safety and Health - Prevention in the Multigenerational Workplace,” *Professional Safety*, American Society of Safety Engineers, May 2011.

¹⁰ Cornell News, “Economists coin new word, ‘presenteeism,’ to describe worker slowdowns that account for up to 60 percent of employer health costs,” April 20, 2004, <http://www.news.cornell.edu/releases/April04/cost.illness.jobs.ssi.html>

¹¹ Mitchell and Mattaliano, “Unintended Consequences.”

Data Drives Absence Management

Designing/evaluating an absence management program begins with a thorough review of all data, benefit programs and workers' compensation, and human resources policies. Major issues that impede efficiency are identified, and suggestions are made to improve design and processes. A review of employee leaves reveals trends and patterns of lost time, and determines the total cost of absence. Based upon these initial findings, challenges are identified and recommendations for improvement are presented and evaluated. The next phase is to move from recommendation to action, with specific goals and objectives, baseline measures, and new designs and processes implemented. Changes in health and productivity are assessed and evaluated, and continuous improvement is promoted. Crucial to the success of the absence management program is buy-in at the highest level of the organization to reinforce a culture of health. In this environment, health and productivity become a win-win for the organization and its employees. [Education must be integrated into the absence management program at every level, including:](#)

- ♀ Senior management to encourage buy-in and support, particularly to show links between health and productivity in support of business goals
- ♀ Human resources managers and benefits managers, to demonstrate the need for data-mining of absence data to reveal underlying causes, common diagnoses and health issues (occupational and non occupational), and the importance of coordinated absence management programs
- ♀ Managers, to familiarize them with policies and procedures, and to encourage acceptance of early return-to-work
- ♀ Employees, to communicate commitment and encourage engagement, while emphasizing expectations around health and productivity

Case Study **CORRECT POLICIES**

A large financial services firm embarked on an absence management initiative due to excessive short-term disability and FMLA claims. The process started with a thorough review of its HR policies, which revealed startling differences across the company; the reason was the firm had acquired several businesses, each of which had its own leave policies and protocols that were left intact. The result was a patchwork quilt of leave policies and procedures. This is often seen in organizations that are in high growth mode. Reviewing the policies and procedures frequently when going through mergers and acquisitions is essential for controlling and managing absence. This organization recognized the clear business case for change. Based on a company-wide analysis of claims data, the firm decided to unify its policies across all units and divisions and improve efficiencies. Results included \$4 million per year in savings—and a lot less confusion.

\$4
million
per year in savings

Absence Management Summary

A successful absence management program starts with a commitment to health and productivity, with the view that human capital truly is the company's best asset. Best-practice solutions recognize the importance of fostering health and promoting engagement across the employment lifecycle. It starts with the "fit factor" of having highly engaged employees in jobs that are considered meaningful and offer opportunities for advancement. Through the cycle of retention and development, with wellness and prevention initiatives, companies tackle absence management with a holistic approach. The objectives are improved health, greater engagement, and higher productivity, in pursuit of the goals and priorities of the employer and the employee.

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