by Susan Cranston, CEBS
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Absenteeism costs the Canadian economy at least $7.4 billion per year in direct costs alone, according to a recent report by the Conference Board of Canada. When indirect costs are factored in, the amount skyrockets to $37 billion. Forty-eight percent of companies report absences in the range of 1-2% of payroll, and 27% report absences in the range of 3-5% of payroll. When indirect costs such as replacement employees, training and overtime are included, costs escalate to as much as 15% of payroll.

Employers should brace themselves for the impact on absenteeism that comes with an aging and less healthy workforce.

North America is home to 75 million baby boomers born between 1943 and 1960. Every eight seconds, another person turns 50 in the United States—an age group that now represents 25% of the population. North of the border, Canada has eight million people, or 33% of the population, now over the age of 50.

A graying workforce creates risks associated with wellness, productivity and employee retention at a time when Canada already trails the pack in average sick days per year. Canadian workers take six sick days per year on average, which is higher than the United States and the United Kingdom at five days per year. Statistics Canada suggests that an ever-increasing number of women in the workforce who juggle multiple responsibilities along with rising levels of work-related stress are contributing factors.

So where does this leave employers that want to increase productivity, engage workers and manage overall costs in a recovering Canadian economy? With a talent crunch looming and absenteeism costs rising, the need to create a culture of workplace wellness—where absenteeism is managed effectively—appears to be gaining momentum. Scorched earth from the 2008 economic fire storm has produced fertile soil for health promotion and integrated disability management to grow.

In June 2011, the sanofi-aventis Healthcare Survey 2011 showed that a strong majority (72%) of plan members feel their employers should be highly involved in encouraging healthy workplaces. With that level of endorsement, employers should feel confident that taking a closer look at building a wellness strategy that incorporates an integrated approach to disability management can be worthwhile.

Historically, disability programs were standalone plans that saw employees return to work only when they were 100%
healthy. The focus was on paperwork and processing the claim. Employees had to deal with different claims adjudicators, multiple forms and numerous contacts, leaving them confused and frustrated about their employer’s disjointed approach to managing their illness or injury.

When an employee has a life-threatening illness, securing his or her income can be a significant source of worry and stress. Employees don’t want to be mired down in the red tape of having to prove their inability to perform the primary functions of their job—first for a short-term disability claim, then for an LTD claim and yet again for a Canada Pension Plan Disability Claim. This process can exhaust and perplex an employee, and shift focus away from the recovery process. It can also generate misunderstandings between the employee and employer, where the employee loses faith in the company as a result of how the disability was managed.

For an employer, this fragmented and uncoordinated approach leaves money on the table through process inefficiencies and productivity losses. Companies that integrate their disability programs by including salary continuance, LTD and short-term disability, and workers’ compensation achieve cost savings, improved productivity, increased employee engagement and improved service delivery while mitigating risk.

By aligning health and productivity initiatives, savvy Canadian employers leverage integrated disability management programs as a way to manage costs while demonstrating their concern for employee health and well-being. This has the additional benefit of strengthening employer-employee trust, a clear step to improving employee engagement. In an era of increasing competitiveness, businesses can’t afford to overlook any opportunity to move ahead of the pack.

**Core Components of an Integrated Disability Management Program**

Integrated disability management programs appear to be a relatively underutilized approach to wellness. In a Watson Wyatt Worldwide and Washington Group study, only 36% of respondents stated that they have or plan to implement an integrated disability program. Of those, the majority were large employers. Smaller employers are just beginning to entertain the idea of integrating their disability programs.

How does an employer get started? What are the core elements needed to implement a successful integrated disability management program?

**First: Look Inside**

Before designing an integrated disability management (IDM) program, employers should analyze their current cost drivers, review company policies and programs, and consider workplace challenges and objectives. Every organization is unique. Employers should uncover the factors that lead to employee absences; by understanding the most costly triggers, an employer will build a stronger foundation for implementing a successful IDM.

Once that analysis is complete, the support and endorsement of senior management is a key factor in the successful implementation of any IDM. Communication from top executives on the importance and strategic alignment of the IDM is crucial to gain buy in.

**Second: Integrate Public and Private Programs**

An IDM should incorporate plans that are regulated by the Canadian federal and provincial governments as well as private payer components. In an IDM framework, workers’ compensation, short- and long-term disability, employee assistance programs, case management, rehabilitation and return-to-work programs are harmonized and effectively administered.

Canadians who become disabled and are unable to work, either temporarily or on a long-term basis, may be eligible for a number of benefits. They can look to their employer for income protection through salary continuance, the national Workers’ Compensation program or the federal Employment Insurance program to which employers and employees contribute. When permanently disabled, they may seek income protection from the Canada Pension Plan and, in Quebec, the Quebec Pension Plan’s Disability Pension.

**Third: Imbed Programs That Employees Value**

An effective IDM incorporates return-to-work and rehabilitation elements into its design. These programs include a combination of evaluation, training, education and specific rehabilitation services that kick in during the disability recovery phase. By accommodating transitional duties, employees recover much faster than staying at home, with the result that employees are returned to work more quickly and safely through customized return-to-work programs.

Worksite wellness programs help employees and their families adopt healthy lifestyles, identify problems early and address medical risk factors. They often include health assessments that identify risks and provide information to assist employees in making positive changes. Programs commonly offer health fairs, vaccine clinics, walking or fitness challenges that encourage and promote healthy living.

Employee assistance programs help employees who experience problems with their personal and or professional lives. These programs allow the employer to sponsor professional and confidential services that help employees regain or maintain productivity. Examples include substance abuse counseling or marital discord issues.

**Fourth: Track Results and Measure Success**

A recent study indicated that approximately 40% of employers track absenteeism rates. How can you measure success if you aren’t tracking absenteeism? A successful IDM includes data management and reporting that tracks claim and absence information. Key information from all of the integrated disability components should be incorporated in the reporting in order to allow for easy access, analysis and review of program success. Companies also need to know how
corporated with disability-related reporting. Without solid data that tracks and monitors absence management, it may appear difficult to accurately estimate the return on investment generated by an IDM.

Employers can lack a consistent approach to addressing return-to-work programs. In some cases, they reserve return-to-work placements solely for employees absent due to a workers’ compensation claim. They may not feel equipped to handle transitional placements for nonoccupational absences when their focus is weighted more heavily on the rehabilitation and return-to-work placement of workplace-related absences. An IDM may grind to a halt if insufficient opportunities to rehabilitate all eligible employees are not factored into an early return-to-work strategy.

When successfully implemented and maintained, an integrated disability management program can provide numerous benefits to both the employee and employer. For the employer, it can reduce overall costs related to employee absences, as well as heighten the success of disability management and return-to-work programs. IDMs can help shorten claims duration and increase employee productivity, which minimizes the need for temporary replacement workers. They also ensure consistent tracking of absences and claims, and allow for comprehensive analysis that facilitates identifying measures of success. IDMs link health and productivity to manage health care costs while still focusing on the employee’s health and well-being.

Fifth: Single Point of Contact

When designing an IDM, employers should consider an approach that includes a single point of contact for case management. When activities related to disability are coordinated, an employer avoids duplication of effort, confusion on the part of the claimant, and time lags associated with claim form red tape. The absence can be monitored and tracked more efficiently.

A single intake point can help facilitate the paper associated with an employee’s voluntary and statutory plans, thereby reducing the complexity of administering benefits and eliminating frustration on the part of the claimant.

A single point of contact significantly simplifies the process for the employee. They gain confidence and a sense of reassurance in dealing with one person who knows their claim, their condition and who can begin working with them through a return-to-work program. The single point of contact can also update the employee on other elements of the IDM that may be helpful.

Sixth: Communicate Well and Often

When designing an IDM, employers need to remember to develop a communication plan for all key audiences. From initial messages to regular updates, there is a change management component that cannot be overlooked in the IDM design phase. Employees need to know what is different from the current approach. It is important for them to understand program goals, core elements, and most importantly, what’s in it for them. They need to be updated about changes and provided with key contact information.

Messages should be available in various forms: print, e-mail, web, as well as in-person meetings. People have different learning styles as well as different communication preferences, so communications need to be tailored accordingly. Communicate regularly and succinctly. Repetition is your friend.

So Why Don’t All Employers Embrace IDMs?

Many employers don’t maintain good absence management records. Often, salary continuance absences are not incorporated with disability-related reporting. Without solid data that tracks and monitors absence management, it may appear difficult to accurately estimate the return on investment generated by an IDM.

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