2017 DMEC Employer Leave Management Survey

EXECUTIVE SUMMARY

DMEC
Disability Management
Employer Coalition

ABOUT THE SURVEY

For seven years, the Disability Management Employer Coalition (DMEC) and Spring Consulting Group (Spring) have partnered to conduct annual research on employer leave management. Our national survey tracks employer methods for administering both regulatory and non-regulatory leaves, and offers a detailed view of employer preferences and strategies for managing and overcoming the many challenges of FMLA and ADA administration.

This year's survey was released at the 2017 DMEC Annual Conference, featured 75 questions, and used a similar online format as 2016. It was completed by 1,203 employers who collectively represent all organizational sizes, U.S. states, and a broad range of industries.

This year's report highlights trends and employer perspectives on paid leave, the Americans with Disabilities Act (ADA), and how technology is being used. It also organizes responses into useful size segments and comments on differences by industry, number of locations, and call center populations where notable.

The 2017 data is weighted to mimic the size distribution of U.S. companies and to compare it to prior years. Percentages shown in the charts are weighted (unless otherwise noted with an asterisk) and represent employers with 50 or more employees, while the "n" represents the actual number of responses.

We are delighted with the continued interest in our survey. We surpassed 407 respondents in 2013, over 900 in 2014 and 2015, and over 1,000 in 2016 and 2017. Our goal is to provide meaningful and actionable information to the absence management industry; we hope the results assist with both strategic decision making and tactical application at all levels of employer organizations.

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While the landscape of leaves that employers are subject to continues to grow and become more complex, the market expertise and tools companies can choose from has continued to expand. Employers that have the budget to outsource are bundling and strategically funding their programs with external vendors and feeling satisfied with their arrangements. Companies that have the bandwidth to manage leave internally are increasingly leveraging technology to assist them. Challenges continue to exist, especially in managing intermittent leave and the ADA, relying on managers and supervisors for leave identification and enforcement, and training them in the first place. However, employers are moving forward with program development by considering how best to offer paid leave, further integrating their processes and systems, developing total absence management approaches, and creating reports to help them identify trends and track outcomes.

HOW LEAVE IS MANAGED

The survey found that most employers manage leaves, and the trend toward outsourcing remains strong. The larger the organization is, the more certain they are with their approach to managing leaves. The more employees an organization has, the more they are subject to regulatory leaves or have a propensity to offer company specific leaves. As employer size increases, so does outsourcing, particularly for those in the utilities/energy, telecommunications, and retail and wholesale industries. Employers with call center populations are more likely to outsource FMLA management (36%) compared to employers without a call center (18%). The propensity to outsource FMLA management also increases with the number of locations employers have. For example, 11% of those with five or fewer locations outsource FMLA, 23% of those with 6-20 locations outsource FMLA, 35% of those with 21-50 locations outsource FMLA, and 44% of those with more than 50 locations outsource FMLA.

OUTSOURCING SPECIFICS

When employers transition their leave management to a vendor, more provide a "history and a takeover" approach than take a "clean slate" approach. About half consider their programs to be co-sourced, particularly for FMLA, ADA, and personal leave; and administration specifics including payment coordination, medical review, and obtaining certification. Larger employers (1,000+) are more likely to outsource short-term disability (STD), long-term disability

(LTD), and statutory disability to the same vendor as leave, while smaller employers (under 1,000) more commonly outsource workers' compensation (WC), medical, employer assistance programs (EAPs), and wellness to the same vendor. Insurance and statutory structures vary, with LTD usually fully insured; STD fully insured for the under 1,000, but self-insured with vendor advice to pay for the over 1,000 group. Employers continue to be satisfied with vendors managing their programs in a compliant manner, and are increasingly satisfied with the vendor granting access to self-service information and reporting, providing data feeds, and identifying fraudulent activities. Vendor satisfaction is highest for jumbo-size employers where vendors play a key collaboration role, while mid-size companies appreciate a variety of intake options, and small employers value fraud identification and technology tools. Employers report that vendors can improve their ability to keep clients apprised of changing regulations and requirements, particularly with today's level of leave legislation activity.

PAID LEAVE

About a third of companies surveyed are subject to state, municipal, and/or county paid sick leave (PSL) laws. These companies are slightly more likely to include PSL in their PTO policies, and typically communicate balances on pay stubs, HRIS, or payroll portals. Eighteen percent (18%) offer employer sponsored (separate from state mandated) paid family leave (PFL) or paid parental leave (PPL), of which about half provide PPL only, which is broader than state mandates and more commonly available to all employees. Up to a fourth would like to outsource paid family or parental leave, and 11% would consider outsourcing paid sick leave to their leave vendors, with the most valued services being leave management, communications, eligibility determination, leave tracking, leave intake, approval/denial, and time reporting/tracking. The most common barriers to outsourcing are cost and lack of budget. Due to leave compliance complexities, many employers find it more efficient to offer programs that are more generous than the laws require. They increasingly rely on internal counsel and leave vendors for guidance more than they have in the past.

ADMINISTRATIVE COMPLEXITY

Intermittent leave time is still the most difficult FMLA activity to manage for employers of all sizes and industries. Tools and resources that make FMLA leave administration easier are manager training, automated tracking systems/

software, and outsourcing or co-sourcing to a vendor, while ADA administration is helped by clear legal guidelines and best practices developed in accordance with these legal guidelines. A fitness-for-duty certification is required by 68% of employers and the majority require it of all employees returning from medical leave. Managing WC or disability claims running concurrently with the FMLA is a challenge that stems from poor communication and coordination between departments and/or vendors, lack of education, and the absence of a system or method for tracking and reporting.

THE ADA AND RETURN TO WORK

About half of respondents (61%) are confident or very confident in their company's ADA administration due to utilizing legal resources, both internal and external; providing continuous education and training; establishing an internal team; and outsourcing or at least co-sourcing administration. A handful of companies (3%) are not confident in their ADA administration but state that a vendor could help in this regard. Putting a formal accommodation and RTW program in place results in higher confidence levels, with most respondents including accommodation as part of their RTW program. Partnering with a vendor also increases confidence levels, with the degree of outsourcing or co-sourcing increasing with employer size.

INSOURCING AND TECHNOLOGY USAGE

The use of technology for insourced programs also increases with employer size. Companies with over 1,000 employees are either using internal or external technology to aid their process, while smaller companies are still using more manual techniques. The top five industries turning to external systems are information management, manufacturing, professional/scientific/technical, transportation/warehousing, government, and healthcare. HRIS, time and attendance, and payroll updates for employees on leave are entered manually (employers under 1,000), or by a centralized unit via a data feed/file every month (13%), every two weeks (39%), weekly (30%), or daily (18%). The functionality demanded is more robust for larger employers (e.g., workflow tasks and letter/email templates), and the majority are satisfied with what technology brings them. HRIS, time and attendance, and payroll entry is more centralized and done via file feed for larger employers versus a more manual process for small employers.

The Disability Management Employer Coalition (DMEC) is the only association dedicated to providing focused education, knowledge, and networking for absence and disability professionals. Through its national and regional education programs, DMEC delivers trusted strategies, tools, and resources to minimize lost work time, improve workforce productivity, and maintain legally compliant absence and disability programs.

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Focused Education for Absence and Disability Professionals

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