



# 2018 DMEC Employer Leave Management Survey

## **EXECUTIVE SUMMARY**

## ABOUT THE SURVEY

For eight 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 the Family and Medical Leave Act (FMLA), the Americans with Disabilities Act (ADA), and overall leave administration.

This year's survey was released at the 2018 DMEC Annual Conference, featured over 85 questions, and used a similar online format as 2017. It was completed by 820 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 not only federal FMLA and ADA, but also increasing state paid leave programs and administration, return to work (RTW) and accommodations, and how technology solutions continue to grow in use. It organizes responses into useful size segments and comments on differences by industry, number of locations, and call center populations where notable. The 2018 data is weighted to represent the size distribution of U.S. companies and to compare it to prior years.

We hope the results provide meaningful and actionable information to the absence management industry and assist with both strategic decision making and tactical application at all levels of employer organizations.

## EXECUTIVE SUMMARY

The landscape of leaves that employers are subject to continues to grow and become more complex. Looking back five years to the 2014 results, employers now are not only subject to frequently updated guidance under the federal FMLA and the ADA, but also paid family leave that has been passed in seven states as of this writing, and even more states and jurisdictions for paid sick leave. As this activity is expected to continue while the nation awaits action at the federal level, employers have grown in their sophistication levels for managing leave. The majority of employers still manage the leave programs internally; however, outsourcing continues to grow. Employers are less challenged with day-to-day activities, but more challenged by the complexity and need to manage aspects concurrently. These challenges are overcome by having experienced staff and using technology and tools, especially when programs are managed internally. Employers have identified cosourcing with external vendors as an option to meet all the necessary requirements and seek solutions for intermittent leave management, education and training, return to work, and ADA accommodation proficiency.

### OUTSOURCING SPECIFICS

Since 2014, outsourcing of federal FMLA has increased

at an average annual rate of 7%. That is 47% for large (1,000+) employers (up from 35% in 2014), and 31% for small (50+) employers (up from 21% in 2014). This increase is particularly noticeable for those in the telecommunications and utilities/energy industries. Over 80% of respondents consider their programs to be cosourced compared to just 48% last year. Employers with 50+ lives and those in the finance/insurance and healthcare industries tend to cosource more so than others, especially for disability, the FMLA, and the ADA.

Insurance companies and third-party administrators (TPAs) are the most common types of companies that employers outsource to. Large employers (1,000+) tend to outsource short-term disability (STD) to the same vendor as leave, while smaller employers (under 1,000) more commonly outsource workers' compensation (WC) to the same vendor. Since 2014, employers are more satisfied with vendors managing their programs and particularly with vendors' ability to provide a range of options for employees to report leave (e.g. telephonic, web, mobile) and provide current and updated technology. Small employers with less than 100 employees are most satisfied with compliance and customer service, while mid-sized employers with 100-999 employees are more satisfied with self-service

information. Although jumbo employers (20,000+) are satisfied with vendors' ability to provide data feeds to/from various systems (e.g., payroll, HRIS, data warehouse), the rest of respondents see this as an area for improvement, along with the ability to demonstrate administrative efficiency gains year over year.

## INSOURCING SPECIFICS

New this year, the survey asked insourcers to rate how satisfied they are with their internal team's ability to manage leave, and found that insourcers have even higher satisfaction rates than outsourcers. Insourcers are most satisfied with their team's ability to manage the program in a compliant manner and provide the right level of resources at the right time. An area of improvement among insourcers is gaining cooperation from managers/supervisors for RTW with restrictions. The majority of insourcers have one to three staff members involved in handling leave, though the number of staff increases with employer size. The use of technology for insourced programs also increases with employer size. Manual methods are used by most small employers (50-99) to manage federal FMLA, but compared to last year, slightly fewer employers with 100-999 lives are using manual methods and more mid-sized and large employers (1,000-19,999) are using externally purchased/leased systems. When it comes to functionality, the ability to run standard reports and determine eligibility continue to be the most common, and similar to prior years, larger employers tend to use technology with more robust capabilities. Payroll systems are most often used by smaller employers, while larger employers tend to use specific leave management software to administer leaves. Over half of small employers (under 100 lives) use their payroll system to track leaves, while mid-sized (100-4,999) employers use HRIS systems and larger employers (up to 41%) use leave management software.

## PAID LEAVE

Although only a topic for the last few years, the results indicate that about 4 in 10 companies are subject to state, municipal, and/or county paid sick leave (PSL) laws. These companies are slightly more likely to have a separate PSL policy versus incorporating it into an existing PTO policy. About a third of respondents offer paid parental and/or paid family care leave, and most typically structure it to follow the state/municipal mandate, versus have a broader policy, and make it available to all their employees. Most

companies manage these paid leaves internally, with the propensity to outsource increasing with employer size (1,000+). A portion of those who manage these paid leaves internally said they were likely to outsource management to their external disability/FMLA vendor in the future, with the most valued services being eligibility determination, approval/denial of request, distribution of communications, and production of reports. The most common barriers to outsourcing are cost and low incidence. Due to leave compliance complexities, reliance on legal counsel is greater, and many employers are hiring consultants or allocating resources for paid leave more so than in the past.

## ADMINISTRATIVE COMPLEXITY

Since 2015, managing intermittent leave has been ranked as the most difficult FMLA activity for employers of all sizes and industries. Respondents say automated tracking systems/software or outsourcing to an external vendor would make FMLA administration easier. Those that already have a system to manage FMLA leave think better integration with other internal systems (i.e., payroll) and having additional or more robust tools would also help. When it comes to broader leave and absence management activities, all employers (but especially 5,000+), have the most difficulty training managers and supervisors to recognize FMLA and ADA requests in the first place, usually due to time constraints, high turnover, and lack of mandatory training. The difficulty of understanding the impact and interacting with ADA/ADAAA goes back to at least 2015, with most employers attributing the challenge to an overall lack of training, information, and resources.

## THE ADA AND RETURN TO WORK

The majority of respondents are confident in their company's ADA administration due to involving legal resources, establishing an internal team, outsourcing, or providing education and training. About 9% overall, and up to 18% for larger size employers, are partnering with their vendor to manage ADA leave, where employers handle the interactive process and the vendor manages intake, document gathering, and tracking. This is up from 6% overall, and up from 12% for larger employers in 2017 and 3% in 2014. Employer confidence also stems from having a formal workplace accommodation policy in place, which 36% of respondents do, with many including it as part of their formal RTW program.



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 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.



*Focused Education for Absence and Disability Professionals*

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