Guardian®

Absence Management Redefined

During the COVID-19 pandemic and beyond

The Guardian Life Insurance
Company of America
New York, NY

guardianlife.com

Introduction

Guardian's latest research finds that in the past two years, US employers have continued to make progress and improve upon their absence management programs. The gains occurred despite the COVID-19 pandemic, where employers had already weathered four months of uncertainty at the time the research was conducted. Also, while states continued to propose and pass their own paid leave laws, more employers implemented company-specific paid leave policies due to the lack of federal legislation.

Organizations are centralizing their efforts to manage absenteeism by administering short-term disability (STD) and the Family and Medical Leave Act (FMLA) through a single process. They are incorporating state, municipal, and other company leaves into their activities. They are integrating with other benefits, particularly long-term disability (LTD), workers' compensation (WC), and paid time off. They are also bringing together the Americans with Disabilities Act (ADA), and family and parental leave more so than in the past.

Employers are simultaneously strengthening their return-to-work and stay-at-work programs and achieving better outcomes in terms of compliance, safety, and well-being. They are doing so with greater attention to the employee experience, especially during an uncertain time, where the challenges of the pandemic have encouraged, and in some cases required, separate Human Resources (HR), Benefits, and Risk Management departments to work together more than ever.

In 2012, we identified five best practices for achieving positive absence management outcomes; in 2014, we outlined a proven path and a series of prescriptive steps for employers to get started. Our 2016 study emphasized the importance of a continuous-improvement approach to managing leave, and in 2018, we highlighted the value of taking a holistic approach to employee health and productivity.

Findings from this year's study suggest that absence management programs are even stronger than in prior years, as measured by Guardian's Absence Management Index. More employers are incorporating the five best practices into their leave programs and, as a result, are overcoming some of the common challenges to achieving objectives, such as improved compliance and reduced absenteeism.

Additional trends noted in 2020 involve revisions to existing leave policies, increased outsourcing of leave administration, greater use of technology to bolster employee communication, and enhanced support for employees at key points in the process.

We hope you find the insights from our latest research helpful in navigating the rapidly evolving absence management landscape as it is redefined in a post-pandemic world.

About the Index

The Guardian Absence Management Activity Index^{SM} is derived from a series of questions that measure the degree to which an employer is implementing absence management best practices.

Designed in 2012, the Index reflects the level of employer activity on 10 elements of an absence management program, with employers earning up to one point for fully implementing each program component.

Based on their Index scores, employers are divided into three categories, according to their level of absence management maturity: Laggard, Moderate, and Leader.

The average Index score across all employers surveyed in 2020 is **5.6** on a 10-point scale, up from 5.0 in 2018, 4.4 in 2016, and 3.7 in 2014 and 2012.

- **"Laggard"** (20% of all employers surveyed) scores are from 0 to less than 3.28

- **"Moderate"** (66%) scores range from 3.28 to less than 5.15

- **"Leader"** (14%) scores are 5.15 or higher

Guardian Absence Management Activity Index

2020 Average = 5.6 on a 10-point scale

Laggard	Moderate	Leader
0-3.27	**3.28-5.14**	**5.15-10**
20% of employers	66% of employers	14% of employers

Aggregated Index scores and self-reported outcomes (e.g., shorter durations, lower incidence, increased productivity, improved compliance) reaffirm that the five best practices and five supporting activities of an absence management program — first identified in 2012 — continue to be the strongest predictors of positive absence management outcomes. Certain aspects — particularly reporting and wellness — have more of an influence than in previous years.

Index scores also indicate the extent to which the five best practices and five supporting activities have become industry norms and standard features of absence management programs.

Ten key elements of Guardian's Absence Management Activity Index

Five best practices

1. Full return-to-work (RTW) program

2. Reporting capability

3. Health management referrals

4. Centralized intake process

5. Same resource for STD and FMLA

Five supporting activities

6. Offer wellness/prevention programs

7. Offer wellness program incentives

8. Integrated disability/FMLA reporting

9. Disease management referrals

10. Centralized STD/FMLA administration

Executive summary

1 **COVID-19 impacts leave management**

The pandemic has raised senior leadership's awareness of absence management and solidified its importance during a very difficult time. The changing dynamics have led to workforce adjustments and policy revisions, especially for STD and FMLA programs. These steps have allowed employers to adapt to employees' changing needs and new situations, such as work-from-home and increased caregiving responsibilities.

2 **Best-practice adoption continues to rise**

Despite the challenges of dealing with the pandemic, employers continue to adopt best practices within their leave management programs. The Guardian Absence Management Activity Index increased again in 2020, particularly among groups with 50 to 249 employees. More employers are achieving both "Moderate" and "Leader" status, while fewer are categorized as "Laggard." Companies are centralizing, outsourcing, and integrating STD and FMLA with other benefits, as well as referring employees to employee assistance programs (EAPs) and wellness programs to improve employee engagement and access to mental health resources.

3 **State leave laws cause concern**

The pandemic prompted enactment of federal paid leave legislation through the Families First Coronavirus Response Act (FFCRA). Yet the limited and temporary nature of the law's provisions caused state activity to continue. Nine states and the District of Columbia have enacted legislation and several more have proposals pending. Many employers struggle to keep up with the different provisions of the new state leave laws and to coordinate the expanding number of absence types. More groups are creating their own leave policies to meet or exceed statutory requirements and standardize benefits across their organization.

4 **Enhanced outsourcing options increase**

Newly outsourced programs are starting stronger than in years past. First-time outsourcers tend to be smaller firms (50-999 employees) and are benefiting from those that have gone before them by having access to improved outsourcing options, with best practices already embedded in their model. Employers are emphasizing cost and compliance in their vendor selection process, while recent outsourcers recognize the value of existing vendor relationships and having a single resource to manage STD and FMLA during the pandemic.

5 **Best practices drive improved outcomes**

Employers are continually modifying and upgrading their programs, even during this uncertain time, and it is paying off with more positive outcomes. Many are making compliance a higher priority and have outsourced administration so that their policies and processes are in line with federal and state regulations. More are supporting employees in returning to safe and meaningful work, especially groups with limited remote work options and where safety is a concern. And employee engagement is increasingly important as leave is redefined by COVID-19.

6 **Technology enables a better experience**

Use of technology in leave administration has dramatically increased since 2016, with more employees submitting claims electronically, using text and chat during a claim, and leveraging self-service platforms to upload documents. This is expected to further increase as employees work more remotely and rely on mobile devices for communication. Similarly, employer access to absence information via online portals and mobile devices is growing in importance and integrated data reporting is considered essential for many organizations.

8 in 10 employers say COVID-19 raised senior-leadership awareness about the importance of leave management

The challenges of COVID-19 have raised awareness of absence management at the most senior levels

Since March 2020, and even earlier for some organizations, employers have faced an avalanche of unprecedented business challenges, including forced shutdowns, customer and employee attrition, and sharply reduced profits. Many organizations have made significant efforts to preserve their business and safeguard their employees during the COVID-19 pandemic, but it has taken a toll.

COVID-19 impact on employer staffing
Percent of all employers

56%
Employees on FFCRA leave

42%
Furloughs

18%
Layoffs or terminations
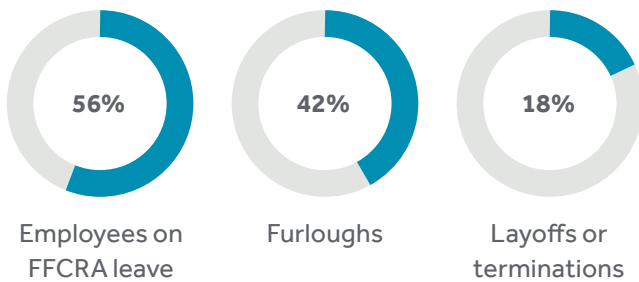
Employers in the health care, manufacturing, and retail sectors are among those most negatively impacted by COVID-19. Those requiring most workers to be on-site are also more likely to be struggling to survive and thrive during the pandemic. In addition to job reductions, some employers eliminated employee benefits or reduced contributions to improve their financial situation.

13%
reduced company's contributions to benefits

9%
eliminated benefits

Ultimately, 18% of employers have taken other steps to limit the impact to employees' physical and financial well-being.

In addition, COVID-19 has impacted employers' ability to actively seek ways to return employees to work. Organizations with less than half of their populations working remotely indicated that the pandemic has made it challenging to identify accommodations. Smaller employers have been even more impacted, with fewer jobs available in which to return employees.

4 in 10 large organizations have been affected by employees' safety concerns about returning to the office

COVID-19 is quickly reshaping the workplace landscape and the future of work. In fact, 2 in 3 employers expect their remote workforce to increase in 2021 as a result of expanded telecommuting options during the pandemic.

As might be expected, organizations in the finance, professional/technical, and information management industries are most likely to expect permanent increases in their remote workforce, where virtual work can be done more easily.

COVID-19 impact on returning employees to work

Type of action	2020 average
Challenging to identify accommodations	41%
Fewer jobs for employees to return to	38%
Employee fear of returning	33%
Supervisors less willing to consider alternatives	30%
Lack of staff bandwidth to conduct the interactive process	27%
Telework is not available/Telework accommodations are challenging	11%

The pandemic has influenced employer policies and approaches to absence management

Most organizations believe they were reasonably well prepared for COVID-19, in terms of their disability and/or leave programs and policies. This was especially true for employers where at least 25% of their population was already working remotely.

Even so, many stated that the pandemic prompted them to make changes. Employers are evenly split on whether these changes will be temporary or permanent even beyond the pandemic.

3 in 4 employers changed their unpaid leave policies to paid, due to COVID-19

Changes that are most likely to be temporary include expanding disability definitions and waiving waiting or elimination periods.

Permanent changes to disability or leave policies are likely to include increasing benefit durations and changing unpaid policies to paid.

Changes to disability and/or leave policies
Percent saying "yes" to either temporary or permanent

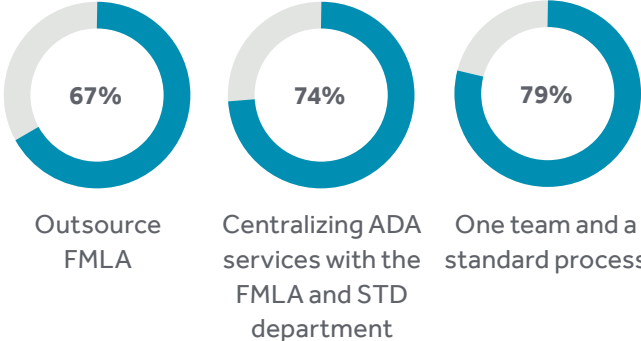|	
Create new and separate COVID-19 policies	87%
Expand disability definitions	86%
Increase benefit levels	78%
Waive waiting or elimination periods	78%
Increase benefit durations	77%
Change existing unpaid policies to be paid	77%

1 in 3 employers created new and separate COVID-19 leave policies

COVID-19 is leading more employers to consider outsourcing and centralization to ease their administrative burden. Beyond outsourcing the administration of FMLA, many are considering centralizing and streamlining programs to help standardize their various leave processes, including company leave policies.

Employers likely to make a future change
Percent saying "very or somewhat likely"

67%	74%	79%
Outsource FMLA	Centralizing ADA services with the FMLA and STD department	One team and a standard process

Employers are seeking permanent solutions to workforce challenges as the pandemic approaches the one-year mark. As the federal government enacts new stimulus legislation and state governments require more lockdowns to control COVID-19 outbreaks, employers are leaning even more on vendor partners for support with managing the increasingly complex maze of leave regulations.

Employers that centralize their STD and FMLA administration score 25% higher on Guardian's Absence Management Index

Employers continue to implement best practices despite the challenges of the pandemic

Guardian's Absence Management Activity Index showed considerable improvement again in 2020. For the fourth consecutive wave of the study over a six-year period, the Index score improved and indicates slow but steady adoption of leave management best practices.

Guardian Absence Management Activity Index score

+51%

	2012	2014	2016	2018	2020
Score	3.7	3.7	4.4	5.0	5.6
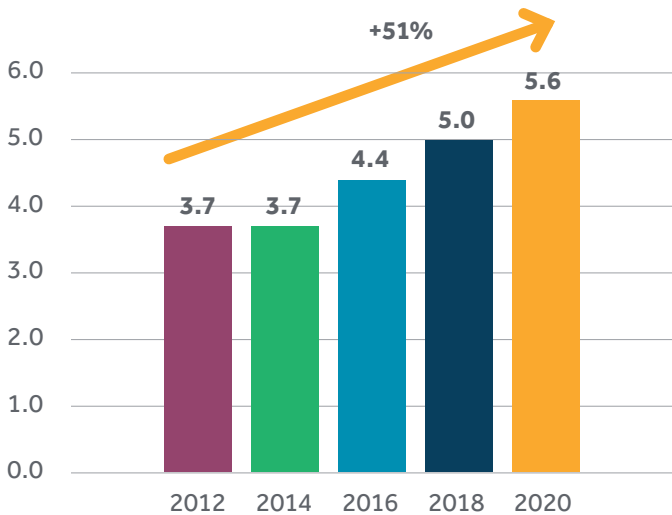
Improvement was evident across all five best practices, underscoring the fact that many program features measured by the study are becoming industry norms. Most notably, adoption of a centralized model for STD and FMLA intake, STD and FMLA administration, and integration of health management referrals all experienced double-digit increases in adoption rates since 2014.

Guardian's five best practices for managing leave

	2020 average	% change vs. 2014
Centralized intake	54%*	+135%
Same resource for STD & FMLA	54%	+93%
Health management referrals	76%	+73%
Reporting capability	72%	+31%
Full RTW program	76%	+23%

In the past six years, small firms have experienced the most significant gains on the Index, especially those with fewer than 250 employees. These groups have benefited greatly from technology advancements and outsourcing options, which have enabled them to improve compliance, efficiency, and the employee experience.

Guardian Absence Management Activity Index
By number of employees

	50–249	250–999	1,000+
2012	3.6	4.2	5.7
2020	5.5	6.0	5.9
change	+53%	+43%	+18%

■ 2012 ■ 2020
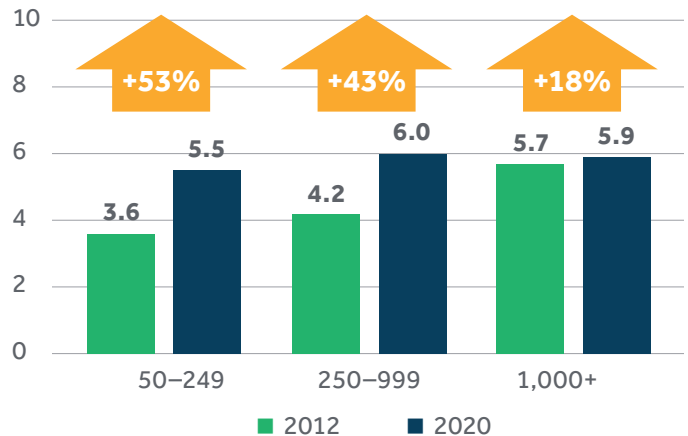
*54% for STD or FMLA; 24% for STD, FMLA, and LOA

Best-practice adoption contributes to better absence management outcomes

Employers that continually improve upon their absence management model are reaping the rewards. Those that monitor market trends and stay abreast of emerging technology and new vendor capabilities — and then modify their model accordingly — are reporting success in achieving their organization's absence management goals.

Among organizations that have made reducing absenteeism a priority and taken steps to address it, more than 6 in 10 self-report positive results. All outcomes measured over the past six years show gains, particularly those focused on return-to-work, reducing direct costs, and improving the employee experience.

More employers are achieving positive outcomes in 2020 — a majority report success on at least 3 leave management goals

In the past six years, more employers have implemented best practices, resulting in more positive leave management outcomes.

Positive outcomes achieved

	2020 average	% change vs. 2014
Increased return-to-work rates	66%	+65%
Reduced direct costs	63%	+50%
Decreased overall absenteeism	62%	+38%
Improved employee experience	70%	+37%
Enhanced productivity	67%	+29%
Reduced lost time	65%	+27%
Improved regulatory compliance*	67%	+2%

*New item in 2018 study

A growing priority for Index Leaders is to improve the employee leave experience as a means of addressing workforce absenteeism and productivity. Heightened attention to presenteeism, as well as absenteeism, will likely increase in 2021, as organizations deal with more impact of COVID-19 on the future of work.
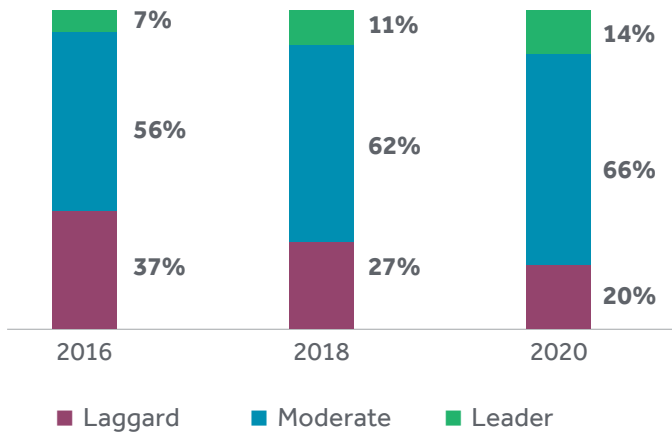
Environmental factors are accelerating the evolution of leave management practices

Due to heightened pressure on employers to improve workforce health and productivity fueled by COVID-19, an increasingly active legal and regulatory landscape, and technology advancements, employers are being induced to evolve their approach to absence management.

Employers' efforts to centralize, outsource, and integrate their STD, FMLA, and other leave programs have resulted in more organizations progressing from the "Laggard" category to "Moderate" and "Leader," in terms of their absence management model. In fact, twice as many employers earned the "Leader" title in our 2020 study compared to 2016, given their adoption of industry best practices.
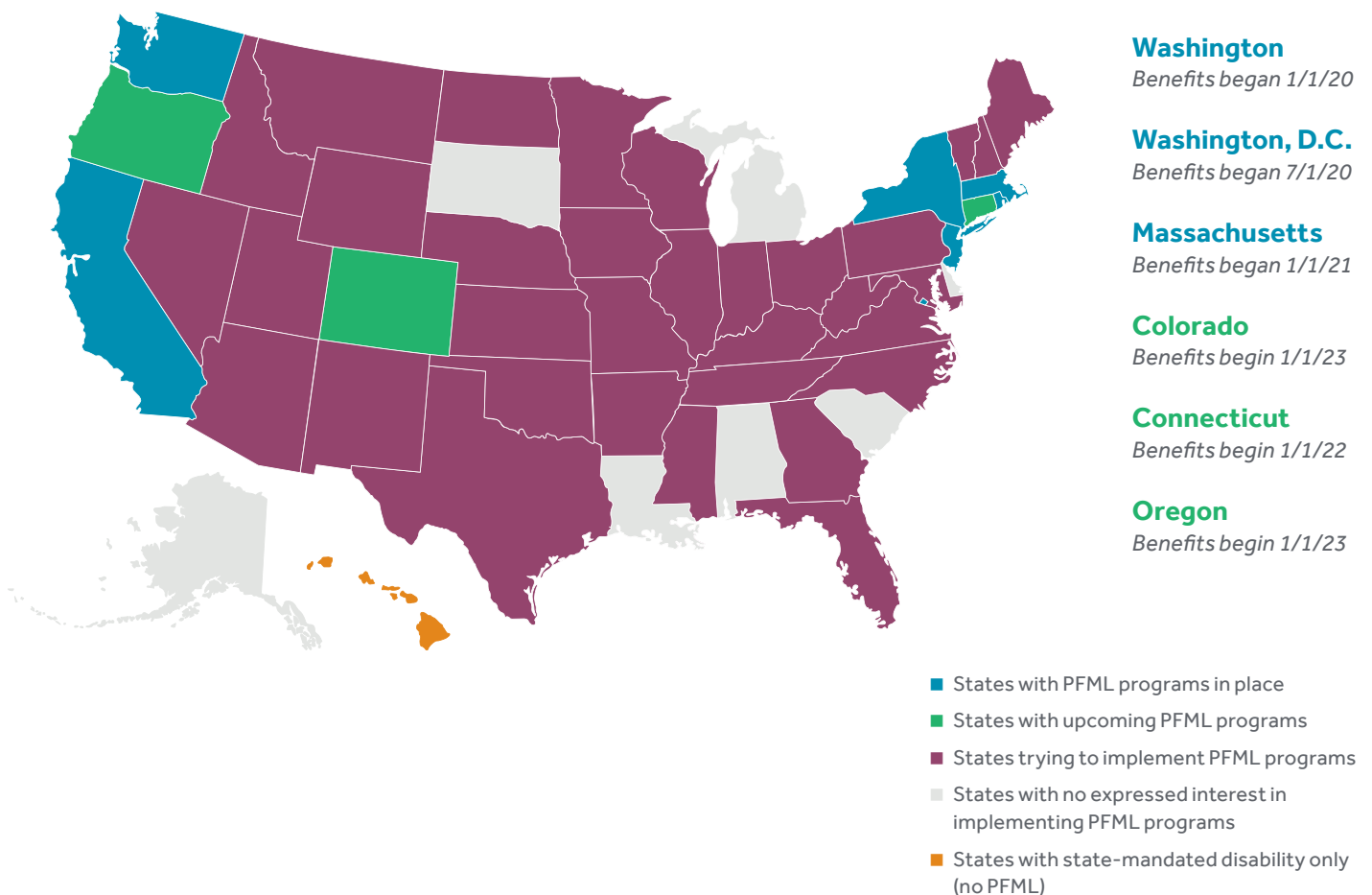
The positive migration of employers along the leave management continuum in the past decade — and especially the past four years — reflects the commitment of more organizations to improving workforce health and productivity, administrative efficiency, and compliance. The recent pace of advancement also underscores the greater importance C-suite executives and senior leaders are placing on evolving their model.

For market "Leaders," advancing their model generally involves centralizing STD and FMLA administration — either with in-house resources or a vendor. Outsourcing to a single vendor with expert compliance, technology, claims management, and reporting capabilities may be the next step. Integration of other leave types often follows, including LTD, state leave, and company leave policies, as well as health management programs. Advanced return-to-work (RTW) and stay-at-work (SAW) processes to ensure consistency and compliance with ADAAA is another important pillar. These practices, combined with a focus on improving the employee experience, contribute to more positive outcomes for our Index Leaders.

Level of absence management advancement

	2016	2018	2020
Leader	7%	11%	14%
Moderate	56%	62%	66%
Laggard	37%	27%	20%

■ Laggard ■ Moderate ■ Leader

Laggard	**Moderate**	**Leader**
• STD/FMLA not centralized	• STD/FMLA centralized; more internal	• STD/FMLA centralized; external
• No to low integration	• Medium integration	• High integration
• Minimal focus on RTW and SAW	• Medium focus on RTW and SAW	• High focus on RTW and SAW
• Leverage separate reports	• Might have integrated reports	• Produce integrated reports
• None to few outcomes achieved	• Medium number of outcomes achieved	• High number of outcomes achieved

The expanding number of states with paid family and medical leave laws is increasing the compliance and administrative burden on employers.

State-paid family and medical leave laws

Washington
Benefits began 1/1/20

Washington, D.C.
Benefits began 7/1/20

Massachusetts
Benefits began 1/1/21

Colorado
Benefits begin 1/1/23

Connecticut
Benefits begin 1/1/22

Oregon
Benefits begin 1/1/23

■ States with PFML programs in place

■ States with upcoming PFML programs

■ States trying to implement PFML programs

■ States with no expressed interest in implementing PFML programs

■ States with state-mandated disability only (no PFML)

Employers are recognizing the importance of coordinating disability and state-mandated benefits

The lack of a national paid family and medical leave program has continued to result in states passing their own individual laws. Although the FFCRA brought on by COVID-19 set a precedent for how such a program could work, its temporary nature, coupled with the evolving political landscape, leaves states on their own.

The greatest challenges for employers, and particularly those in highly regulated states, are keeping up with the many changes to federal and state leave laws in the past two years and coordinating different types of absences.

Top challenges in managing absence programs*
By number of locations in highly regulated states

|	None	4 or more states
Keeping up with changes to federal and state leave laws	76%	**87%**
Coordinating different types of absences	73%	**86%**

*Percent rating each as a challenge.

The more states in which an organization has employees located, the more likely they are to outsource their FMLA administration, due to the complexity involved. And employers operating in four or more highly regulated states are even more likely to outsource their leave administration — and tend to score higher on the Index.

Employers with workers in ...	Index score
Four or more highly regulated states	**6.2**
No highly regulated states	**5.0**

More employers are exceeding state-mandated benefit levels on their STD plans. One reason is to improve efficiency and coordination across their leave programs. Another reason is to provide an adequate level of coverage and to achieve consistent STD benefits. The prevalence of employers offering this type of enriched STD benefit increases with company size and level of program advancement.

Employer models for statutory disability benefits
By employer size

State-mandated benefits ONLY
- 18%
- 16%
- 11%

State-mandated benefits and higher company STD benefit
- 19%
- 25%
- 27%

■ 50–249 ■ 250–999 ■ 1,000+
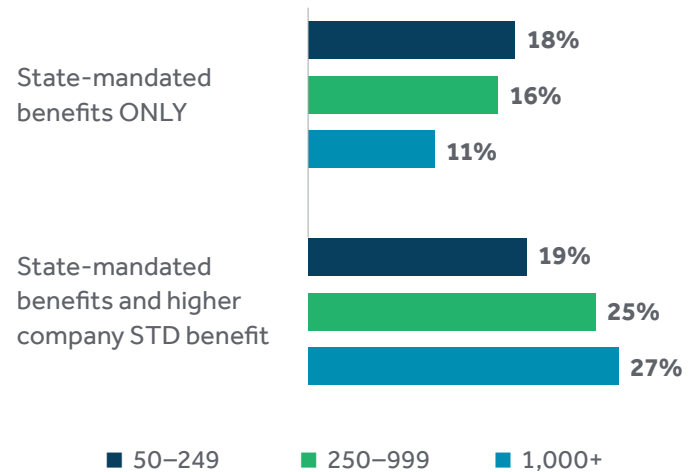
Half of all employers in states with paid family & medical leave laws expect to opt out to a private plan, where available

Deferring to a state-paid family and medical leave plan is most common among smaller employers with fewer than 249 workers. It is also more pronounced among firms that administer STD or FMLA internally, as well as those in the education and construction industries.

New state and municipal paid leave legislation has employers reevaluating their leave policies

In addition to state leave regulations, three-quarters of employers surveyed indicate they are subject to municipality-specific laws. Roughly half of those employers subject to municipal leave laws are managing them with in-house resources, while about a third are co-sourcing with an external resource and/or software, and 14% completely outsource the administration to a vendor.

Organizations that handle municipal leaves in-house tend to manage their STD and FMLA programs internally, as well. They're also more likely to have employees in fewer states with statutory disability/leave benefits. Those that outsource municipal leave administration tend to have done so in the past five years and they centralize with other leave plans, particularly FMLA.

Employers offering paid parental/family care leave

Paid parental leave

53%

Paid family care leave

48%

As employers look to create consistency of benefits across all locations and streamline their programs, they are extending leave benefits to all workers, regardless of hours worked or state-mandated benefit levels.

Employers that offer paid parental or paid family care leave tend to be larger (250 or more employees) and more advanced in their absence management model. They are more likely to use the same external administrator for STD and FMLA and have a high degree of integration across their benefits programs. This level of coordination across their various leave programs offers greater control oversight and, ultimately, more successful absence management outcomes.

As the pandemic continues in 2021 and a new White House administration takes office, many employers are looking ahead and trying to anticipate potential changes to federal and state leave legislation that will impact their workforce.

2 in 5 employers expect to adopt a broad paid leave policy that encompasses all leave types

Index Leaders and groups with 500 to 999 employees are the most likely to enact broad leave policies, as are those that centralize their STD and FMLA administration with the same external vendor. Those with employees in more than four highly regulated states also lean toward implementing a broad paid leave policy.

69%
of employers who are Index Leaders are likely to move toward a broad paid leave policy

70% of organizations with at least 50 employees offer parental leave or family care benefits

Many organizations managing FMLA in-house are unaware that they may be noncompliant

Most employers using in-house resources to administer FMLA say they are comfortable with their approach; however, Guardian's FMLA Fundamentals quiz reveals a different story. Many of their day-to-day practices are noncompliant with federal regulations and may be putting their organization at risk.

Among groups handling leave administration in-house, 9 in 10 are confident in their company's ability to pass a Department of Labor (DOL) audit. Those with the highest confidence levels are, in fact, more advanced in their leave management practices, as measured by the Index. Yet many smaller firms with relatively low Index scores are highly confident in their handling of FMLA.

To gauge compliance with fundamental aspects of the FMLA, Guardian asked employers a series of 10 questions regarding in-house handling of FMLA requests and tracking procedures.

A majority of employers handling FMLA in-house would not pass a DOL audit

The average grade on the quiz was a "C," and that is among Human Resources professionals and benefits administrators who are closest to their organization's FMLA process. Quiz scores are higher for employers that are larger, self-insured for STD, in the professional/tech industry, or have employees working in fewer highly regulated states.

The quiz results indicate that many employers may be noncompliant in their handling of health benefits continuation, approving leave requests, and with tracking intermittent leave. The low scores also highlight the potential for costly misunderstandings about the law, employer policies, and their practical application. The findings also suggest the need for more comprehensive and ongoing HR and supervisor training on FMLA regulations and best practices.

Select results from Guardian's FMLA Fundamentals quiz

Employer quiz results	Correct response/best practice
3 in 10 employers indicate that employees on FMLA leave do NOT maintain health benefits.	**Maintaining health benefits** during FMLA is an important part of the federal regulations that administrators should be familiar with.
Almost **5 in 10** employers think FMLA can be taken all at once or intermittently, not both.	Family Medical Leave can be taken **continuously or intermittently**, depending on the facts and circumstances of the claim.
6 in 10 employers don't recognize that FMLA covers care for an injured service member for a higher number of weeks than other FMLA reasons.	Under federal FMLA, employees are eligible for 26 weeks of unpaid, job-protected leave in a 12-month period to care for an **injured service member**.
5 in 10 employers automatically approve or have managers review intermittent FML requests.	**Centralized review** by the company's administrator (not manager) provides for closer monitoring, greater consistency, and compliance.

Centralization and outsourcing of employee leave administration continue to rise

Since 2012, and as a result of the increasingly complex leave landscape, the percent of employers centralizing their STD and FMLA administration has almost doubled. Today, more than half of all organizations with at least 50 employees use the same resource (in-house or external) to administer their STD and FMLA.

Nearly half of all employers outsource STD and FMLA administration

Furthermore, employers are outsourcing their STD and FMLA administration at a much higher rate — leave management outsourcing has more than doubled since 2012. Insurance carriers are the most common outsourcing partner used by employers, followed by third-party administrators.

In the past eight years, outsourcing has increased among employers of all sizes, but more recently, smaller firms with fewer than 250 employees have been the most active.

STD/FMLA centralization and outsourcing
2012 vs. 2020

Centralization: +82% (2012: 30%, 2020: 54%)
Outsourcing: +136% (2012: 20%, 2020: 47%)

■ 2012 ■ 2020
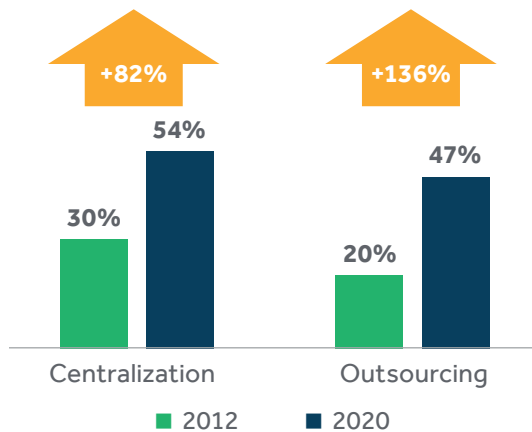
41% increase in small firms (50–249 employees) outsourcing STD and FMLA administration since 2016

Organizations that outsource STD and FMLA administration to the same vendor are making more progress on their key goals than those that manage employee leave using in-house resources — even when it's with the same internal team or department.

Those organizations that outsource are more likely to report positive outcomes on employee experience, direct cost reduction, and return-to-work rates.

In addition, employers that outsource leave management report fewer administration challenges and are more confident in being compliant with federal and state laws, compared to firms managing leave in-house.

Impact of centralization and outsourcing on outcomes

	Centralized and outsourced vs. In-house administration	
	Outsource STD & FMLA (same vendor)	In-house STD & FMLA (same team)
Better employee experience	77%	64%
Lower direct costs	68%	55%
Improved regulatory compliance	72%	62%
Improved RTW rates	72%	63%

Integration enables a more compliant and effective approach to managing leave and workforce health

Employers are leveraging the value of related and complementary plans, policies, and processes to address their top leave management priorities, namely ensuring compliance and supporting employees' return to safe and meaningful work.

12.5%
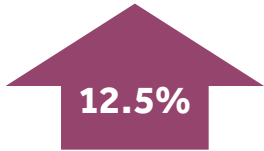
Integration of other benefits with STD and FMLA increased since 2016

Integration across leave and disability programs has been increasing in the past four years. Most notably, more employers are offering LTD from their STD/FMLA vendor, while the percent incorporating ADA services has nearly doubled since 2016. More employers provide employees referrals to a health management program during the intake process, especially Employee Assistance Programs (EAPs) and wellness programs. This is expected to intensify through the pandemic, as the demand for mental health and substance abuse resources grows.

Benefits managed by same STD/FMLA resource
Percent of employers offering each

	2016	2020
Long-term disability	32%	46%
Workers' compensation	30%	41%
Paid time off (vacation/sick)	27%	35%
Leave as an ADA accommodation	17%	32%
Wellness	17%	29%
EAP	16%	28%
Parental leave	19%	28%

A growing percentage of employers recognize that they cannot afford to manage employee health and productivity in their HR, benefits, and risk management silos. Instead, new challenges have been identified during (and even before) the pandemic (e.g., more state-paid leave laws) that demand a more holistic approach. The greater the level of integration, the greater a company's adoption of leave management best practices.

Benefits integration and leave management
High = 10+ programs; Moderate = 1–9 programs
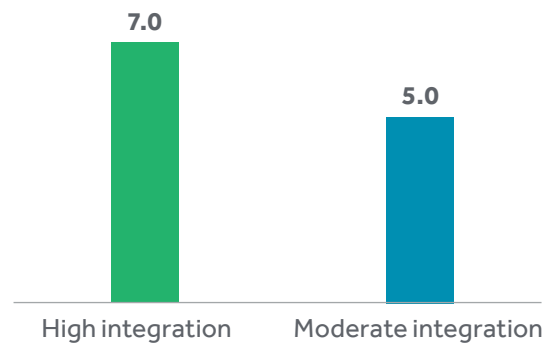
Organizations that have a more integrated leave management model not only have a higher Index score, but they are more likely to self-report better outcomes on employee experience, increased productivity, improved compliance, and higher return-to-work rates.

Positive outcomes of integration
Employers reporting progress in past 2 years

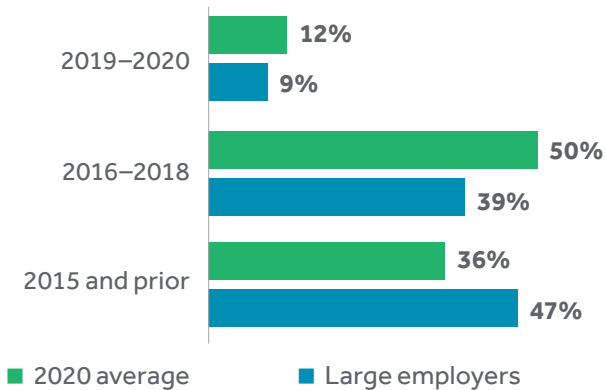|	High integration	Low integration
Better employee experience	80%	66%
Increased productivity	77%	62%
Improved regulatory compliance	75%	63%
Improved RTW rates	75%	62%

9 in 10 organizations that outsource their FMLA administration use the same firm that handles their STD

Decisions to outsource leave administration are often linked to concerns about cost control and compliance

Among employers outsourcing their FMLA administration, 50% moved to an outsourced model between 2016 and 2018. More than one-third began outsourcing in 2015 or before, and 12% started outsourcing in 2019 or 2020, some during the pandemic. Groups that began outsourcing more recently tend to be smaller firms (50–249 employees) while those outsourcing for five years or longer tend to be larger organizations (1,000 or more employees).

When employers first outsourced FMLA administration

- 2019–2020: 12% (2020 average), 9% (Large employers)
- 2016–2018: 50% (2020 average), 39% (Large employers)
- 2015 and prior: 36% (2020 average), 47% (Large employers)

■ 2020 average ■ Large employers

When making the decision to outsource, employers feel it's most important to understand costs and their in-house processes. First-time outsourcers have traditionally been less concerned about compliance and internal audits — but that has been changing, especially in the past year, due to the added complexity of COVID-19-related leave as part of the stimulus legislation.

Important information in outsourcing decisions
Recent outsourcers vs. the average

	2020	< 1 year outsourcing FMLA
Estimated **external** costs	37%	24%
Estimated **internal** costs	31%	31%
Understanding current process	30%	22%
Concerns with current process	23%	32%
Results of internal audits	21%	18%
Historical claim/leave experience	21%	25%
Formal business case for change	20%	24%
Results of DOL/EEOC inquiries	15%	24%

34% of first-time outsourcers rank "the same person managing STD and FMLA" claims as the top reason for selecting their vendor

Employers cite price competitiveness as the top criteria when selecting a vendor for outsourcing their FMLA administration. Cost is followed by depth of compliance resources, particularly among those in the professional and technical services sectors. The vendor's years of experience is another important factor for about 1 in 4 employers, especially those in health care and government industries.

Top criteria for FMLA vendor selection
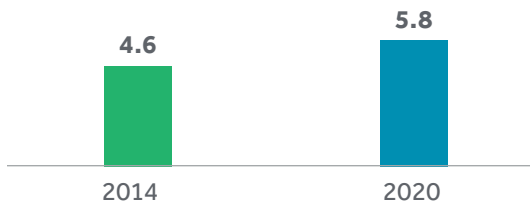Recent outsourcers vs. the average

	2020	< 1 year outsourcing FMLA
Cost competitiveness	35%	19%
Compliance resources	28%	18%
Years of experience	23%	22%
Consistency	22%	11%
Employee experience	20%	13%
STD & FMLA managed by same person	19%	34%
Reporting expertise	18%	22%
Existing relationship	18%	34%
Rules-based system/ technology	16%	26%

Recent outsourcers are more likely to place a higher priority on having the same resource managing both STD claims and FMLA requests, signaling the importance of an integrated process and a streamlined employee experience. Those that began outsourcing during the pandemic also place greater importance on having an existing vendor relationship (generally an STD carrier), which allowed for easier conversations of COVID-19 symptoms, risk factors, and quarantine protocols, as the situation required.

Recently outsourced FMLA programs are more likely to have best practices embedded in their model

Organizations that outsourced their FMLA administration within the past three years score higher on the Index than in previous years, which illustrates the extent to which best practices have become industry norms. Consequently, employers who have more recently outsourced their absence programs are reaping the benefits of those that have gone before them.

The longer an FMLA program is outsourced, the greater the number of best practices in place, particularly centralized STD and FMLA administration and integrated data reporting. Moreover, employers outsourcing their FMLA administration for at least four years are twice as likely to achieve positive outcomes compared to those outsourcing for less than four years.

Guardian Absence Management Index scores
Among first-time outsourcers: 2014 vs. 2020

4.6 — 2014
5.8 — 2020

In 2020, first-time outsourcers were more likely to centralize their STD and FMLA administration with the same vendor, to have better return-to-work protocols, and to integrate health management referrals with the intake process.

Employers using the same vendor for STD and FMLA administration
By number of years outsourcing

74% Less than one year
89% Four years or more
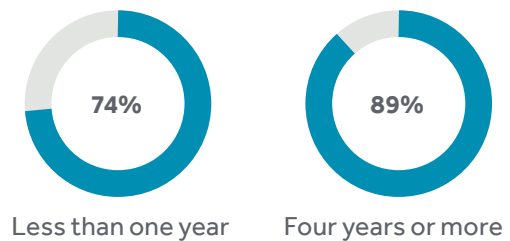
Employers outsourcing their STD/FMLA administration for 4 years or more are most likely to achieve positive outcomes

More employers now focus on compliance and policies that support a safe and productive work environment

Ensuring that leave policies and procedures are compliant with federal, state, and municipal laws and creating a safe, productive workplace are among employers' top absence management priorities. These are especially important to organizations with more than 75% of their workforce working on-site. Employers also are increasingly concerned about helping workers replace income during leaves of absence for parental bonding, caregiving, or medical issues.

Absence management philosophy
Percent rating each a "high priority"

	2020 average	% change vs. 2016
Policies, procedures are compliant	58%	+7%
Support return to safe workplace	58%	+5%
Improving workforce productivity	57%	+5%
Helping employees stay at work	54%	0%
Creating a culture of well-being	52%	+2%
Replacing employee income during a time of need	43%	+7%

6 in 10 employers rate "supporting an employee in returning to safe and meaningful work" as a high priority

Improving the employee experience with the leave process is another growing priority, especially for larger organizations. This involves helping employees understand and access their leave benefits and making them feel supported when requiring time off for parental or medical leave — during what can be a very stressful time.

Improving the employee experience
Percent rating each "extremely positive"

	2020 average	% change vs. 2016
Standard, written policies	93%	+33%
Clear, understandable policies	91%	+30%
Feel supported by employer	89%	+35%
Tools to track eligibility/time	89%	N/A
Tools to understand pay implications	88%	+42%

Robust return-to-work (RTW) and stay-at-work (SAW) programs contribute to improved outcomes

A growing proportion of employers are actively seeking ways to return employees to meaningful work, even though the pandemic has introduced new barriers.

Employers with the strongest return-to-work programs have higher Index scores and report better outcomes

Employers that have implemented more return-to-work (RTW) activities are also achieving greater success in reducing lost time and improving RTW rates, something that has been more difficult when there have been job reductions or where employees have a fear of returning to the workplace due to COVID-19.

Return-to-work program components
2020 vs. 2012

	2020	% change vs. 2012
A written RTW policy	62%	+72%
The interactive process	59%	+28%
Guidelines for the duration of disability based on diagnosis	58%	+71%
Offering accommodations to facilitate RTW	54%	+20%
Transitional RTW plans	50%	+32%
Nurse case management	45%	+165%

As more employers outsource their STD and FMLA administration, they can capitalize on the capabilities that a vendor partner brings, such as nurse case management and guidelines for leave durations. Employees benefit by having access to rehabilitation and counseling resources that help enable them to safely return to work, in the right capacity, and at an appropriate time.

More organizations also are focusing on keeping their workplaces safe and providing accommodations to help employees remain at work. The most common components of stay-at-work (SAW) programs are job modification, especially for more remote workforces, and worksite modification, predominantly for less remote workforces.

Stay-at-work program components
2020 vs. 2018

	2020	% change vs. 2018
Job modification	78%	+4%
Worksite modification	77%	+3%
Adaptive equipment	73%	+12%
Ergonomic evaluations	71%	+8%
Vocational rehabilitation intervention	70%	+19%
Other assessments or tools	66%	+16%

Employers with a robust SAW program tend to have a more advanced and proactive approach to leave management. Furthermore, those deploying a wider range of SAW initiatives experience better outcomes and score higher on the Index.

Positive outcomes achieved
High number of SAW initiatives implemented vs. none

	None	4–6 SAW components
Reduce lost time	57%	71%
Reduce direct costs	53%	69%
Increase return-to-work rates	58%	75%
Decrease overall absenteeism	54%	67%
Improve employee experience	55%	79%
Enhance productivity	59%	75%
Improve regulatory compliance	58%	73%

9 in 10 employers use self-service portals and/or mobile devices to help manage employee leave

Easier access to data to improve leave management outcomes is increasingly important to employers

As employers focus on improving their leave management model and outcomes, having access to absence data and trend information is essential. Self-service web portals and mobile devices offer the ability to access real-time data, generate customizable reports and do data analysis to better understand absence trends in an employee population.

Larger organizations and manufacturing companies place even greater value on mobile access to upload documents and access claims status

Viewing a claim or employee leave status is the most valuable information for employers, along with the ability to upload documents to the portal and to view intake data on initial claims/leaves. Interest in leave-planning and status-update employee tools are of growing interest since 2016, particularly for leaves involving pregnancy, bonding, or family caregiving.

Self-service portal features
Most "valuable" to employees, as rated by employers

	2020
View of claim/leave status	42%
Ability to upload documents	32%
Reporting of initial claim/leave	29%
Leave-planning/decision-making tools	26%
Access to communications sent	25%
Links to plan/policy information or forms	25%
Educational resources	22%

Nearly two-thirds of employers indicate that they can produce or obtain comprehensive reports for disability and FMLA — up from 56% in 2016. Integrated reporting is most prevalent among Index Leaders and those organizations that outsource their disability and FMLA administration to the same vendor.

3 in 4 employers can generate integrated reports with disability and FMLA data

Reporting and data analytics have become increasingly important, especially as employers look to compare their data before, during, and after the pandemic.

Usage patterns, claim status, and cost reports are among the most heavily utilized data by at least 7 in 10 employers.

Ability to produce or obtain reports
2020 vs. 2016

	2020	% change vs. 2016
Disability usage patterns	71%	+22%
Disability claimant status reports	71%	+11%
Disability cost reports	71%	+27%
FMLA usage patterns	70%	+25%
FMLA claimant status report	74%	+21%

Technology is helping to improve communication with employees throughout the leave process

Providing workers with flexibility in how they communicate at the beginning and throughout the leave process is important, especially with more people working remotely or outside of their normal work environments due to the pandemic.
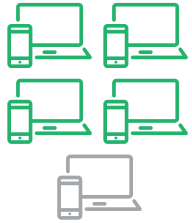
4 in 5 organizations prefer a single intake portal for employees to report all absence types

The most common ways of reporting absences continue to be telling a supervisor or completing a form, but telephonic and online reporting has increased dramatically since 2016. This is especially true for online intake of leave requests, which has more than doubled for FMLA, ADA-related accommodations, and other leave types. Improved web-based tools and increased remote work arrangements during the COVID-19 pandemic are contributing to the increase in use of electronic channels for leave reporting.

Initial leave request methods
Percent change from 2016 to 2020

	Dedicated phone line	Online
FMLA	+38%	+140%
Other leave of absence	+40%	+102%
Leave as an accommodation	+30%	+146%

During an absence, email and telephone continue to be the typical methods for communicating with employees. However, more workers are relying on technology to communicate with vendors or managers/HR colleagues working remotely or in different office locations. Use of text messaging and chat functionality remains less prevalent but is increasing rapidly, especially during the pandemic.

Texting and chat are becoming the communication channels of choice, especially for larger organizations and Index Leaders

Employers' preferred methods for communicating with their workers during a leave of absence differ from what is currently available at many organizations. Most notably, text messaging is preferred by nearly a third of all employers but is only available to half that many. Texting and chat functionality are least likely to be available to smaller firms with fewer than 100 employees.

Preferred employee communication methods
Percent change from 2018 to 2020

	2020	% change vs. 2018
Email	54%	-2%
Telephonic	39%	-24%
Text message	33%	+50%
Mail or fax	24%	0%
Chat functionality	18%	+38%
Automated dialing	17%	+6%
Interactive voice response (IVR)	15%	+15%

Absence management key takeaways
Employers are adapting to a changing environment

1. Policies are changing due to COVID-19

Over **75%** of employers have made temporary or permanent policy changes in these areas:

- Created new/separate COVID-19 policies
- Expanded definitions within current policies
- Increased benefit levels
- Waived waiting or elimination periods
- Changed existing unpaid policies to be paid
- Increased benefit durations

2. Technology can enable better communication with employees

Employees want options for accessing information and demand more digital communication channels. In fact, the percentage of employees wanting text or chat options grew **50%** and **38%** respectively in just two years.

3. Implementing best practices helps improve the employee experience

Employers ranked these top areas as having a positive impact on employee experience:

- **93%** Standard, written policies
- **91%** Clear, easy-to-understand policies
- **89%** Feeling supported by the employer
- **89%** Tools to help track eligibility and time
- **88%** Tools to understand pay implications

### 4. Employers are expanding company plans as state leave laws change

- **87%** of employers are likely or very likely to move to broad paid leave policies
- **51%** of organizations in states with paid family and medical leave laws that allow opt-outs will offer a private plan
- **70%** of employers provide the same parental/family leave benefits regardless of hours worked or state mandates

5. Outsourcing can help drive better outcomes

The number of employers who outsource STD and FMLA administration increased significantly over the past eight years as companies continue to adopt this as a best practice.

STD and FMLA administration model

	In-house	Outsource
2012	84%	16%
2020	56%	47%

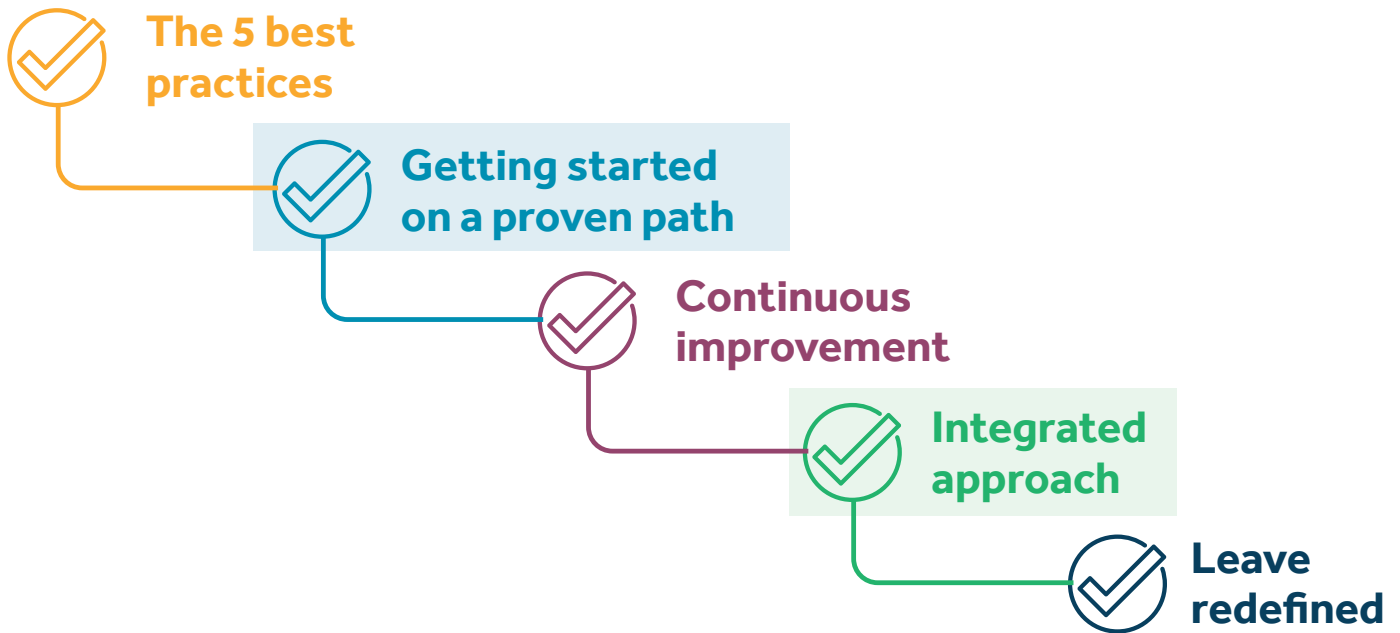■ Outsource   ■ In-house
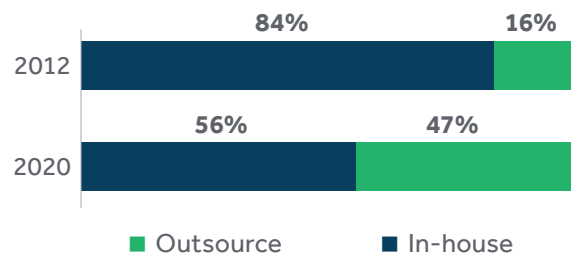
Appendix

Benefiting from what we've learned
Eight years of market insights

Beginning in 2012, Guardian has conducted five waves of research on market trends in absence management. Our findings provide a clear view of the practices and activities adopted by a wide range of employers and the correlation between these activities and employers' ability to achieve more positive outcomes with their absence management program over time.

The best practices and their related support activities form the foundation of a sound strategy and a proven path for success — not only for companies just getting started, but also for those who are more advanced with absence management and see the value of continual improvement to their leave administration policies, processes, tools, and support of employees.

Our Absence Management Activity Index scores validate that ongoing refinements to models are critical to maintaining momentum and achieving a company's absence management goals. Applying a continuous-improvement approach, with regular monitoring and periodic assessments, and taking a holistic approach helps to ensure longer-term success. As the leave environment becomes more complex and the impact of the pandemic starts to unfold, we expect to see a period of redefining how employers manage leave for the new world of work.

The 5 best practices

Getting started on a proven path

Continuous improvement

Integrated approach

Leave redefined

Regardless of whether your company is just getting started or already has a mature absence management program in place, insights from the Guardian Absence Management Activity Index & Study can assist in gauging your current status relative to the marketplace and in identifying potential opportunities and next steps.

The Guardian Absence Management Activity Index
Scoring methodology

Tier 1 activities (the five best practices)

A full return-to-work (RTW) program, including the highest number of the following:	The ability to produce or obtain reports that include the highest number of the following:	A disability and/or FMLA process that includes giving employees referrals to health management programs	A central portal (phone or online) for reporting	Using the same STD resource for FMLA and additional benefit programs
• Written RTW policy • An interactive process (where the employee, HR, manager, case manager, and/or physician talk about possibilities) • Transitional RTW plans • Guidelines for the duration of disability based on diagnosis • Nurse case management • Offering accommodations to facilitate return to work On the Index, 1/6 point is given for each of the six components of the employer's return-to-work program. • 76% of employers report actively seeking ways to return employees to work	• Disability usage patterns • Disability claimant status • Disability cost • FMLA usage patterns • FMLA claimant status On the Index, 1/5 point is given for each of the five reports that the employer can produce or obtain. • The percentage of employers who can produce or obtain any given report ranges from 70% to 74%	Health management programs may include employee assistance programs (EAPs), disease management, or wellness. On the Index, 1 point is given if referrals are made, while 0 points are given if no referrals are made. • 76% make health management referrals	A central portal should include reporting for at least STD and FMLA, and possibly include other leaves of absence such as sick/vacation leave or paid time off (PTO). On the Index, 0 points are given if no central portal exists; 1/2 point is given if STD and FMLA absence reporting are through a common portal; 1 point is given if STD, FMLA, and PTO are all reported through the same portal. • 54% of employers use a common portal for STD and FMLA • 24% overall have a central portal for STD and FMLA, and all other leaves of absence	On the Index, 1/13 point is given for each of 13 benefits (e.g., FMLA, LTD, EAP), which are administered by the same department or vendor that administers STD. • 54% of employers report using the same department or vendor to administer both STD and FMLA

The Guardian Absence Management Activity Index
Scoring methodology

Tier 2 activities (supporting)

Offering wellness programs that include a high number of program components	Offering incentives or discounts for employees to participate in wellness activities	Reporting that integrates both disability and FMLA information
On the Index, 1/15 point is given for each of 15 possible components (e.g., biometric screenings, flu shots) of the employer's wellness program; 70% of employers offer wellness programs.	On the Index, 1 point is given if any incentives or discounts are offered, while 0 points are given if not; 83% of employers that offer wellness programs offer incentives.	On the Index, 1 point is given if integrated STD/FMLA reports can be produced, 0 points are given if not; 76% of employers can produce integrated reports.

Tier 3 activities (supporting)

Offering a disease management program	Centralizing administration of STD, FMLA, or both within an organization
On the Index, 1/15 point is given for each of 15 possible components (e.g., biometric screenings, flu shots) of the employer's wellness program; 46% of employers offer such a program.	On the Index, 1/2 point is given if administration of STD is completely centralized within the organization, 1/2 point is given if administration of FMLA is centralized within the organization, 1 full point is given if both STD and FMLA are centralized, while 0 points are given if neither is; 64% completely centralize STD and 60% completely centralize FMLA.

Research design

Background

The fifth wave of the Guardian Absence Management Activity Index & Study was conducted in the third quarter of 2020. It consisted of an online survey completed by decision-makers to monitor changes in employer absence management practices.

The study was conducted for Guardian by Spring Consulting Group and serves to build upon prior-year efforts.

Sample characteristics

A total of 1,211 benefits professionals were surveyed; all work for employers with at least 50 full-time, benefits-eligible employees. Companies surveyed range in size from 50 employees to more than 5,000. A minimum number of surveys were conducted in major-size categories to allow analysis of results by organization size. Data were weighted to reflect the actual proportion of US businesses in each size category.

Survey participants represent a cross-section of industries and geographic regions. All work for companies that offer at least medical coverage and some form of disability benefits. All are involved in handling their employer's disability plans and FMLA, and they are at least familiar with their company's other leave policies.

Employer Size

	Sample size
50–99	292
100–249	292
250–499	202
500–999	142
1,000–4,999	142
5,000+	141

Region

	Sample size
Northeast	520
Midwest	379
South	541
West	439

Industry

	Sample size
Health care	175
Manufacturing	153
Finance/Insurance	147
Retail & wholesale	112
Professional/Technical	112
Education	105
Information management	62
All other	345

Number of highly regulated states with employees

	Sample size
None	326
One	278
Two to three	221
Four or more	386

The Guardian Life Insurance Company of America, New York, N.Y.

guardianlife.com