# *Insurance Times*: Employers controlling cost of time-off and disability plans

July 9, 2002, Vol. XXI No. 14

NEW YORK — Controlling costs has become the top priority for employers' time-off and disability programs, the 2001 Survey on Employers' Time-Off and Disability Programs, conducted jointly by Mercer Human Resource Consulting and Marsh Inc., found.

The finding demonstrates how quickly employers adapt to a changing economic environment. In the 2001 survey, 71% of the 476 employers surveyed indicated that controlling costs is among their top three program priorities, with 15% listing attraction and retention of employees as a top priority. In contrast, the previous year's survey found that employers placed attraction and retention on a par with controlling costs.

Survey participants spent an average of 14.6% of payroll on absence-related benefits in 2000 - 10.2% on scheduled absence benefits such as vacations and holidays and 4.4% on unscheduled absence benefits such as incidental absence/sick days, short- and long-term disability, and workers' compensation. For an employee earning $40,000 annually, this means that about $34,160 was paid for time at work and $5,840 was paid for time away from work. This cost equates to 27 scheduled days off and 11 unscheduled days off per year per employee.

After controlling costs, the next most frequently cited goal of participants was improving efforts to track absences and measure their costs - a top priority for 44% of overall participants and 57% of participants with 10,000 or more employees.

"It's generally assumed that when employers are better able to track and report on employee absence, they can manage it more effectively," says William Craig, MD, an absence management consultant at Mercer. "Yet at only half of the employers surveyed do line supervisors receive reports on the total number of days lost to incidental absence or illness." Reports on the number of absence occurrences are provided to supervisors in only 16% of surveyed employers.

In other survey findings, 31% of respondents anticipated some degree of labor force downsizing when the survey was conducted last summer, and about two in five (39%) expected an increase in either their occupational or non-occupational disability claims.

Also, among the employers surveyed, the estimated ultimate loss rate for workers' compensation averages $1.72 per $100 of payroll, a 10% increase over 2000. Costs in other surveyed plan areas were, on average, flat.

## Paid Time-Off Plans

An increasing number of employers are pooling vacation and incidental absence/sick days into a single time-off bank. These paid time-off (PTO) banks help employers control their paid-absence exposure while offering employees more flexibility. More than one-third of respondents (35%) have PTO banks for either salaried or hourly employees. Twenty-five percent of participants with vacation-only plans indicated they are considering or planning to move to a PTO plan in the future.

## Plan Integration

Employers continue to further integrate absence management program elements to gain efficiencies, improve consistency, and better control costs. Forty-five percent of survey participants have integrated their short-term disability and long-term disability plans under a single carrier or administrator, up from 39% of participants in the 2000 survey. Nearly one-third (32%) now have a single, centralized intake for both occupational and non-occupational absences, yet only 6% have their non-occupational and occupational programs integrated under one carrier.

Under their workers' compensation programs, 76% of respondents have a formal return-to-work program in place, with more than half of those rating the program as very effective. The opportunity for improvement is greatest for non-occupational disabilities; currently about half of respondents report that return to work is mandatory for non-occupational disabilities if appropriate temporary transitional duty is offered.

Mercer and Marsh are operating companies of Marsh & McLennan Companies, Inc.