

CONTROLLING THE UNCONTROLLABLE

How Return-to-Work Programs
Reduce Costs and Boost Productivity



The economic climate of the last few years has compelled employers to do more with less in all aspects of their business. Having and keeping experienced, productive employees at work—doing the tasks they were hired to perform—is key to meeting this challenge. This guide discusses the return-to-work (RTW) concept and how RTW programs can help reduce costs and maximize productivity.

Defining “Return-to-Work” Programs

Nearly half of plan sponsors (45%) surveyed by The Prudential Insurance Company of America¹ (Prudential) said they are currently providing accommodations to assist employees in returning to work following a leave of absence, serious illness, or disability. Although making accommodations, whether due to legal mandate or corporate policy, is a great start, it isn’t the same as putting a formal RTW program in place.

A RTW program acknowledges that an employee may have limitations, but focuses on that person’s capabilities, not disabilities. From there, an individual plan is developed for getting that employee back to work. These programs reintegrate an employee into the workplace through various accommodations in a way that creates a positive result for him or

her, while increasing productivity for the employer. Accommodations may include acquiring or modifying equipment; adjusting work schedules; offering work from home or telecommuting options; and temporarily reassigning the worker to another position.

Having a defined, proactive RTW approach is a win-win for employers and their employees and helps achieve positive, long-term outcomes for all involved. By setting realistic expectations for employees and managers, and having the right policies and resources in place, many disabled employees can get back to work sooner and with better results. A RTW program that is supported by the company demonstrates to absent employees that they are seen as valued members of the team, not just a business resource. Frontline managers will have the tools and information they need, and senior management will have a mechanism for tracking and

Common Return-to-Work Terms

Accommodation: Any change to work environment or conditions that an employer makes to help a disabled or impaired employee stay at work or return to work. While similar, the term “reasonable accommodation” is a legal term defined by the Americans with Disabilities Act (ADA) that provides specific guidelines for employers to comply with.

Flexible Hours: Some managers may only think in terms of an employee coming back from disability to a full-time schedule. But allowing an employee to work flexible hours, either temporarily or permanently, may help an employee return to active status sooner.

Job Description: A documented company job description that outlines specific duties should be used by physicians to evaluate an employee’s RTW status whenever possible. This is especially important if the attending physician is not an expert in workplace accommodation.

Modified Duty: Employees that can come back to work doing their original job in some capacity are considered to be on modified duty. The term “light duty” often means temporarily doing a less physical job but still remaining productive. Modified duty is the preferred term to categorize any change or reduction in work responsibilities.

Assist-at-Work: Depending on the medical issue, there may be a way for an employee to keep working at least part time during the initial illness period, without having to go out on full disability.

Transitional Work Assignment: Employees can often return to work sooner by temporarily taking on another job within the department or organization as long as it complies with all medical restrictions. In some cases, a transitional work assignment may involve a modification of the employee’s normal job duties.

Workplace Modification: Accommodations for an employee’s illness or injury may include, but are not limited to, workstation adjustments, computer software or equipment, vehicle modification, or communication devices.

Work Hardening Program: Work hardening means using real or simulated tasks and conditioning exercises or therapies to provide a transition between acute care and successful return to work.

reporting RTW results.

The True Cost of Disability Absences

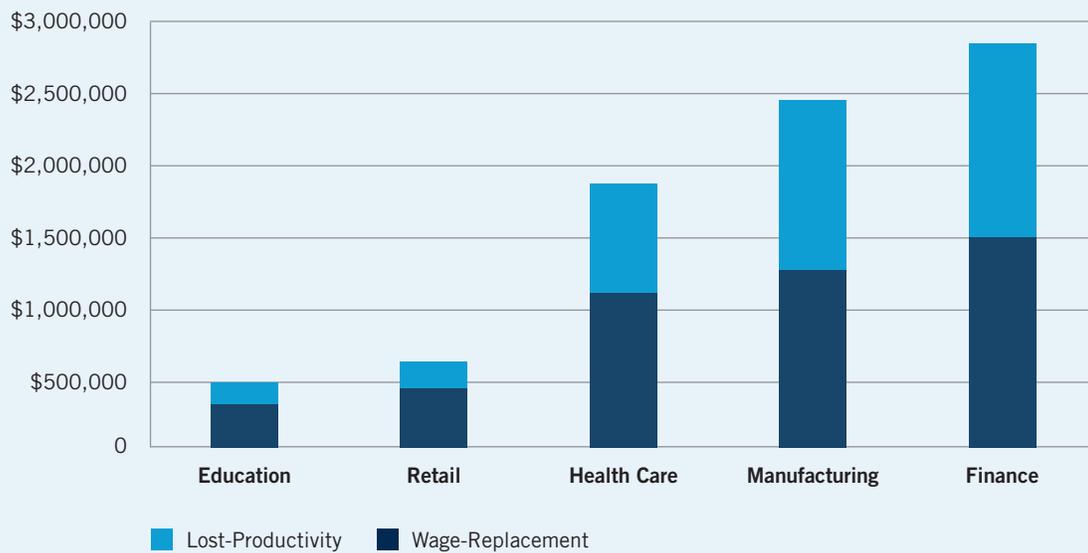
Traditionally, disability absences have been viewed as a fixed labor cost that is an unavoidable part of doing business. While employees will continue to miss work for planned and unplanned absences, it doesn't mean an employer's hands are tied. A structured RTW program can provide a mechanism for getting disabled employees back on the job, either in the same or a modified capacity, thereby reducing the costs associated with those absences.

Costs can be direct or indirect. Direct costs include the wages or benefits paid to employees while they are not working. Indirect costs include lost productivity or expenses related to hiring and training replacement

workers. A recent Mercer study showed that the direct costs of incidental unplanned absences equaled 2.0% of base payroll; the total costs (including the indirect costs of replacement labor) were three times higher: 6% of payroll. The costs of both incidental and extended absences (short-term disabilities and unpaid FMLA leaves) amounted to 2.6% of base payroll in direct costs, but over 9% in total costs.²

In the chart below, the cost associated with lost productivity and wage replacement, as well as the total cost of health-related absences, was measured across five industries. The lost-productivity estimate is based upon the following factors: the difficulty in replacing absent workers; the impact of not producing/delivering products or services on time; and the degree to which

Estimated Direct & Indirect Costs of Absence by Industry



Source: Integrated Benefits Institute's Absence Cost Estimator Company-wide Report. Assumes a mid-sized employer (1,500 full-time employees) with average payroll, benefit, costs and lost day estimates specific to that industry.

absent employees impact a team.

The Benefits of a RTW Program

RTW programs can help employers boost morale, increase productivity and reduce absences, with cost savings being the overarching goal. According to Prudential's *Fifth Annual Study of Employee Benefits*, employers who implement RTW strategies see positive results. Of the firms surveyed who provided accommodations to assist employees in returning to work, 66% said this strategy has been successful at achieving the desired cost savings; 38% said it had been "highly successful."¹

The sooner an employee is back to work in some capacity, the sooner wages will be paid once again for work performed instead of for benefits. Plus, replacement costs such as those associated with overtime, hiring temps, or training employees will be reduced or eliminated. Proactive RTW programs can also help reduce health care costs and insurance premiums, and the savings can be used to fund additional benefits for employees or establish wellness programs—which could in turn decrease absences and increase productivity.

Employees also benefit from returning to work in a way that focuses on what they can rather than can't do, with the structure to support that transition. RTW programs give disabled employees the opportunity to retain job skills and bring their income closer to pre-disability levels. Getting back to work sooner in some capacity increases the morale not only of the affected worker but also of his or her coworkers. The employee feels valued and the coworkers won't be resentful of taking on extra work or hours.

The Power of RTW Reporting

To fully understand the benefits of a RTW program, it is important to have the right analytics in place. The more data employers have, the greater opportunity they have to take proactive, preventative measures that will positively impact their bottom line. A key component of an RTW program is the ability to **track, validate** and **report** absences.

- **Track**—Supervisors need to know who is not going to be at work that day, why they're out, and an estimated return date.
- **Validate**—Confirmation that an employee returned to work as planned or if the absence will continue helps managers know what to expect.
- **Report**—Absence data that allows an employer to manage his or her workforce more effectively.

But, that's just the beginning. Highly successful RTW employers aggregate this information to **measure, evaluate** and **target** absence trends.

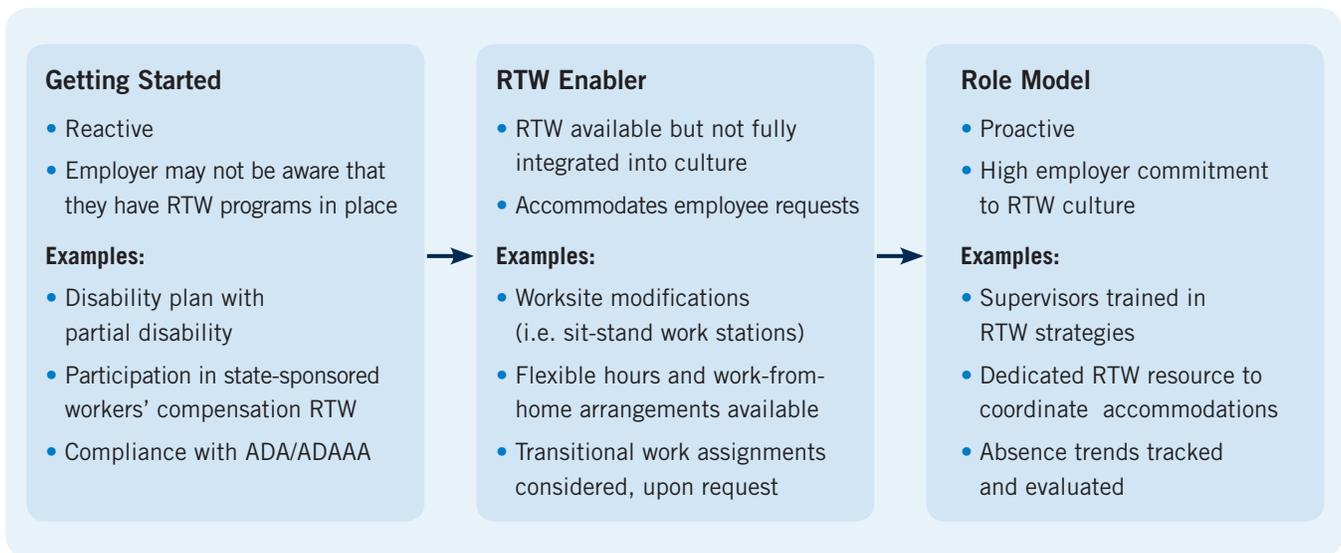
- **Measure**—After spending the time, money, and resources to implement a RTW program, employers want to know what they've achieved as a return on their investment. Reports showing direct and indirect cost savings over time are key to measuring the program's ongoing success.
- **Evaluate**—To maintain an effective RTW strategy, employers need to know what programs and accommodations are working and where they need to make improvements. For example, metrics that link program usage at one location to a decrease in lost work days may encourage an employer to implement that program at another site. However, low usage trends in a particular department can help pinpoint where RTW cultural acceptance is low and further training is necessary.

- **Target**—Employers can't address trends they don't know exist. Better access to absence data can empower employers to take preventative measures that will have a meaningful impact on workforce productivity. Consider an employer whose data shows that a specific location has a high incidence of absences due to diabetes. It could prompt the employer to evaluate the nutritional offerings in the

cafeteria or offer on-site weight-loss programs—proactive actions he or she would not have known were needed without the right information.

No longer can an employer say that employee absence is the uncontrollable human capital expense. Such expenses cannot be eliminated, but employers can take steps to reduce them.

The Return-to-Work Continuum



In 2007, roughly two in five (39%) plan sponsors said they were involved in RTW initiatives to some extent. Since then, moderate growth has been seen and today 45% currently use RTW initiatives—a six percentage point jump.¹ While the research shows that an increasing number of employers are implementing RTW programs, these efforts are only the beginning of creating a fully integrated RTW culture.

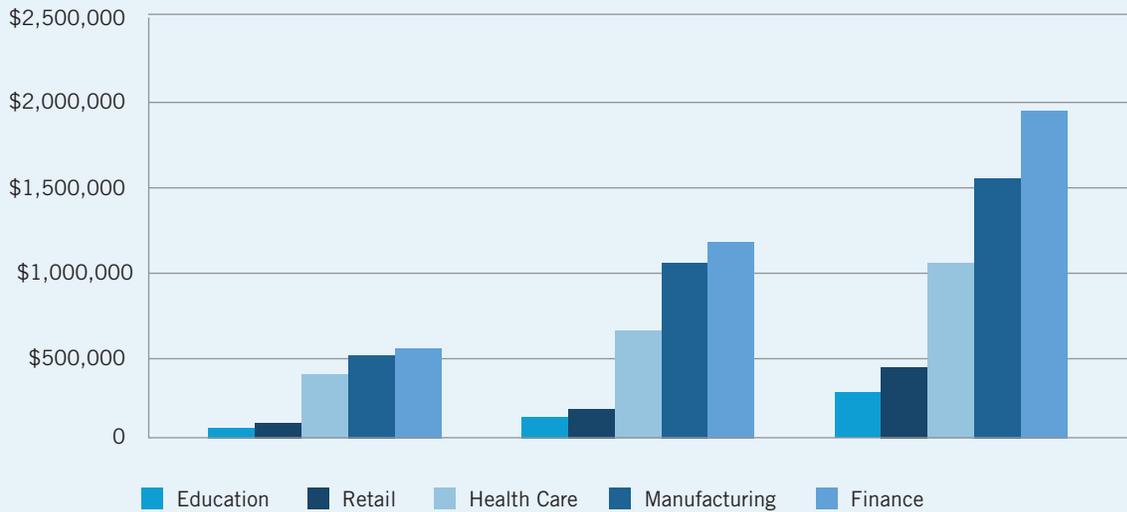
Creating a RTW program should be viewed as an evolution, not a revolution. The goal is to move an organization along a continuum to fully integrate RTW into the organization from senior leadership to human resources and benefits administration, and ultimately to supervisors and their employees. This

phased approach will be less daunting and will lead to more successful outcomes; elements of RTW can be introduced, adopted, and evaluated before moving to the next step.

Employers may also want to consider targeting initial RTW efforts on specific divisions or job functions where the program might have the greatest impact or adoption will meet with the least resistance. As an employer moves the organization along the RTW continuum with each phase or step, the greater the opportunity for cost savings over time. The chart below demonstrates that reducing disability absences by even one day can have a meaningful impact on the bottom line.

Potential Cost Savings

How much would your organization save by reducing unplanned health-related absences by 1, 2, or 3 days per FTE?



Source: Integrated Benefits Institute's Absence Cost Estimator Company-wide Report. Assumes a mid-sized employer (1,500 full-time employees) with average payroll, benefit costs, and lost day estimates specific to that industry.

The ADA-RTW Connection

RTW programs can help employers boost morale. While the cost and productivity benefits of implementing a RTW program are compelling, most employers also recognize the link to the Americans with Disabilities Act, or ADA. Compliance with the ADA requires that an employer accommodate disabled workers in the workplace—a key consideration in any RTW program.

“Reasonable accommodation,” as defined by the ADA, is “any change or adjustment to a job or work environment that permits a qualified applicant or employee with a disability to participate in the job application process, to perform the essential functions of a job, or to enjoy benefits and privileges of employment equal to those enjoyed by employees without disabilities.”³ These ADA “reasonable accommodations” can be very similar to many RTW strategies.

Data collected by the Department of Labor’s Job Accommodation Network (JAN) reveals that more than half of ADA accommodations cost employers nothing, and of those that do have a price tag attached, the typical one-time expenditure is \$500.⁴ But the cost of non-compliance can be staggering. In 2010 alone, \$76.1 million in monetary benefits were paid to employees as a result of ADA discrimination charges—and this figure does not include monetary benefits obtained through litigation.⁵

Prudential does not provide tax, legal, or accounting advice. Therefore companies should consult their own tax, legal, or accounting advisor.

Dispelling Common Return-to-Work Myths

Despite all the benefits of developing a formal RTW approach, many employers may still be unconvinced. Below are 10 common myths associated with initiating or maintaining a RTW program—and the reality behind them.

Myth #1: It's impossible to implement a RTW program in certain industries (e.g., manufacturing, retail) or for jobs with physically demanding tasks.

Reality: It's not impossible—it just takes some planning, creativity, and monitoring. Before a disability begins, an employer needs to have a detailed job description that identifies the physical/cognitive requirements and focuses on the primary job tasks. After the disability, the employer needs to understand the employee's work capacity to determine which RTW strategy could work. The federal government's Job Accommodation Network (JAN) has a database (<http://askjan.org/media/index.htm>) of accommodation strategies by occupation or industry and by condition.

Myth #2: Bringing employees back to work who have not fully recovered to pre-disability levels increases the risk that they will have on-the-job injuries, which will increase an employer's liability.

Reality: The goal of any successful RTW program is to minimize risk of relapse or recurrence. Keep in mind that many employees are already coming to work while managing chronic illnesses or conditions; so that risk exists already whether an employer realizes it or not. A job description and physician's consultation can help identify employees who are ready to return, but with some accommodation. And by monitoring employees with RTW assignments, an employer may actually make a positive impact on these individuals' ability to increase function and thereby decrease risk.

Myth #3: A manager should never contact an employee who is out on disability.

Reality: While managers should always operate within legal mandates and corporate policy, communicating their concern for a disabled employee's well-being may help maintain his/her connection with the workplace.

For example, a telephone call or sending a get well card may seem like small gestures, but they go a long way toward helping the employee feel like a valued member of the team, even when absent. The manager should respect the employee's privacy if initial efforts to communicate are rebuffed.

However, making an attempt is worth the effort. Once the lines of communication are open, the employee may feel more comfortable about discussing his or her plans to return to work and what accommodations could make it possible for the employee to return. If the employee asks for help, the manager should make an effort to find out whether additional resources are available. A manager's interest and concern can make an employee feel better about coming back to work, thereby encouraging a prompt, healthy return.

Myth #4: The employee's doctor solely guides the RTW process.

Reality: The attending physician may be the medical expert, but he or she likely won't be the expert when it comes to company policy and what the job entails. Employers can take the lead in coordinating an employee's return to work, as long as they abide by the physician's medical guidelines. Key to the discussion is the job description, which gives the physician an objective list of the tasks an employee needs to perform. Emphasis should be placed on an employee's capabilities and limitations, recognizing how these factors impact the employee's ability to do critical job functions. Lastly, make sure that the doctor knows that transitional assignments are available. Don't assume that the employee has discussed the options available to them.

Myth #5: Employees who take a modified work assignment or are put on "light duty" will never return to their original job.

Reality: When employers have a documented program with guidelines for how long modified work assignments will last, transition to pre-disability job performance will improve. In addition, employers should document the RTW plan for each individual returning to work—

specifying begin and end dates for transitional work assignments. This will set clear expectations for both the employee and the manager, lessening the potential for future misunderstandings.

Myth #6: Companies don't have the budget or resources to implement a RTW program.

Reality: Most organizations cannot afford to **not** implement a RTW program due to the direct and indirect costs of absence. Most worksite accommodations are inexpensive, and savings from a RTW program can offset the expense of implementation. Plus, an organization may already have rehabilitation provisions in its disability contract or worksite accommodation benefits that can be utilized.

Myth #7: The Human Resources department doesn't have the training or expertise needed to implement and monitor a RTW program.

Reality: Employers and their staff can develop a partnership with their disability, health care, and/or workers' compensation carrier to support RTW efforts. Insurance carriers may have services or tools they can provide to help an employer with their RTW program. For example, Prudential Group Insurance has an Absence and Productivity Manager's Toolkit to help front-line managers understand their role in the RTW process.

Myth #8: RTW programs only benefit employees who are on disability or a medical leave.

Reality: Not true. Successful RTW programs also contain assist-at-work components that help employees with medical conditions that are not severe enough to cause them to miss work, remain on the job. A lot of people live with chronic conditions that impact their ability to work 100%, but that are not so severe that they require a disability absence.

For example, a safety coordinator at a power plant suffered a 95% hearing loss that could have ended his career. The local business unit was concerned that his inability to hear compromised his safety and the safety of others because he was unable to hear alarms or to understand meeting communication. A vocational specialist found an assistive device that addressed the concerns, and that employee was able to continue to work.

Myth #9: Once an employer has implemented a RTW program, their work is done.

Reality: A RTW program is an ongoing commitment to employees' well-being and productivity. It is not a "once and done" proposition. To realize a RTW program's full cost savings and productivity potential, ongoing monitoring and program evaluation are essential.

Myth #10: Front-line supervisors are already too busy—they can't handle the additional responsibilities of managing a RTW program.

Reality: Let's be honest. In the short term, implementing a RTW program does put added responsibilities onto managers of people. However, in the long run, successful RTW programs shorten absence durations—meaning less managerial time spent back-filling critical roles—and improve morale—less overtime and fewer people covering two jobs. Most managers would prefer to have RTW procedures to follow when an unexpected absence occurs, so they can be proactive and spend less time wondering what happens next.



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1 Prudential's Fifth Annual Study of Employee Benefits: Today and Beyond, 2010.

2 The Total Financial Impact of Employee Absences, Mercer.

3 The U.S. Equal Employment Opportunity Commission. "The ADA: Your Responsibilities as an Employer." August 1, 2008.
<http://www.eeoc.gov/facts/ada17.html>

4 Workplace Accommodations: Low Cost, High Impact, Job Accommodation Network, 2011.

5 U.S. Equal Employment Opportunity Commission.

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