

absence & disability management

planning considerations
for employers



Balancing empathy and economics in absence and disability management

In this time of disruption and uncertainty, the COVID-19 pandemic has heightened the complexity and challenges associated with managing leave, disability and paid time off programs. In the coming months and years, employers will need to understand, adhere and navigate the ever-changing compliance landscape while implementing the right leave programs to support employees' well-being and help them care for their families in this time of need.

Understanding the new challenges and laws to undertake strategic leave planning will help employers overcome budget constraints and adapt to the new normal. Employers need to take clear action to address several key concerns.



What do I do about new leave laws?



How do I build an Emergency Leave Plan?



How will my Life, Disability and Leave plans be administered in light of COVID-19, possible furloughs and layoffs?



How do I manage the Return to Workplace Processes for employees with and without a COVID-19 diagnosis?



What should I do to enhance my internal leave processes and policies?



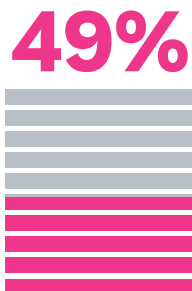
Does our current disability program provide enough financial protection for our employees?

COVID-19 response and resurgence: Five paid leave considerations

As COVID-19 cases rise, fall and rise again in areas across the US, it is increasingly clear that employers need to capitalize on the time we have before the next, potentially larger, peak. What are the lessons learned from employers' initial reaction to rising case numbers? With hindsight, what could we have done better?

At the outset of the pandemic, managing or expanding leave programs was at the forefront of employers' response. A number of US employers voluntarily expanded their paid sick leave offerings, including many who implemented paid emergency leave related to COVID-19 absences ([COVID-19 and Paid Leave: Three scenarios to Plan For](#)).

Mercer's COVID-19 survey conducted in June 2020 shows that nearly half (49%) of employers are adjusting sick leave policies to specifically incorporate provisions for those who test positive for COVID-19.



The pandemic has heightened existing challenges associated with leave and paid time off programs. Both before the pandemic and in response to it, many states, cities and counties have passed their own paid sick leave mandates or expanded statutory disability and paid family leave benefits. For larger employers with employees in multiple states, maintaining compliance with a patchwork of mandates adds significant administrative and communication burdens. But, one thing that the pandemic hasn't changed is that employers can turn the compliance burden of state regulations into an opportunity. As you review your leave and paid time-off programs for pandemic-readiness – drawing on what we have learned these past six months – consider these five ways to optimize their performance:

Enhance coordination between employer and state leave policies

Most employers will need to make some changes to their leave policies to incorporate new state requirements. How can those changes optimize the

way that employer and state policies work together? Do the employer's leave policies detail how they coordinate with state benefits? Should the employer's benefits change to improve coordination? Are there benefits, like paid parental leave, that have been under consideration in the past that now become cost effective when the cost is reduced by state-mandated benefits?

Streamline the employee experience

Between employer benefits, state benefits and federal leave mandates, any single employee event could trigger a myriad of leave entitlements. How many different places does an employee need to go to file for all these benefits? Some states allow the employer to increase their involvement in the delivery of state-mandated benefits by filing for a private plan. But, as the employer gets more involved, what's the trade-off between streamlining the employee experience and the ultimate cost to the employer?

Revisit emergency leave

Many employers implemented emergency leave policies or expanded paid sick leave when the pandemic first hit, to encourage employees to quarantine if they or a family member were exposed to COVID-19. But, most of those policies only allowed employees to take a single leave. What happens if a second wave creates the need for a second or third quarantine? Many emergency leave policies only run through the end of the year – what if the need to quarantine extends into 2021? Consider whether you need to update an existing emergency leave policy as circumstances change – or, if you are implementing emergency leave for the first time, think through these additional considerations.

Take another look at unlimited PTO

For nearly every employer, the pandemic has stressed existing leave policies, exposing cracks and flaws in many of them. As a result, employers are making changes ranging from minor tweaks and clarifications to major philosophical overhauls. One concept that is getting renewed attention is

unlimited or untracked paid time off (PTO), for two main reasons. First, in plans with accrual-based paid time off, PTO balances have grown to historical highs as employees simply haven't taken time off. With unlimited PTO, there is no accrual and thus no need to decide how to manage PTO balances, especially at year-end. Second, fixed accrual policies make it difficult for employers to adapt and be flexible without making fundamental, structural changes to their leave policies. For example, if an employer wants to allow additional paid time off for employees who need to quarantine, they may need a new policy or add to existing accruals by increasing the paid time off allowance. With an unlimited PTO policy, the employer can work within the boundaries of that policy to be flexible without increasing time off allowances or implementing a new policy to administer.

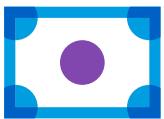
Reduce employer costs

For businesses feeling the economic impact of the pandemic, cost management will be a priority for the foreseeable future. Whether paid leave benefits are staying the same or changing, employers have lots of opportunities to reduce the cost of paid leave. Shifting to unlimited PTO or changing rollover rules

for accrued paid time off can reduce the cost of excess accruals. Because most employers provide paid leave benefits will run concurrent with state disability and family leave benefits, optimizing how those benefits coordinate can reduce employer costs. For example, state disability or medical leave will usually run concurrent with the employer's short-term disability plan. How an employer structures the interaction of these plans will have a direct impact on the employer's ultimate cost. With the need to expand paid leave to deal with the unique demands of the current health crisis, this type of coordination becomes even more important to cost management efforts.

As it has become increasingly clear that we will be living with the pandemic well into 2021 –and that it will likely have a lasting impact on how we work and live – it is time to think beyond stop-gap measures and seize the opportunities for positive change. Leave programs have been in flux in recent years. If your program needed updating before COVID, the time is right to consider changes that will not only get your organization through the pandemic, but leave you with a more effective, sustainable program.

It is time to move forward with a strategic plan



Costs

Determine the productivity and financial impact leave policies have on your organization



Administration

Improve internal processes and/or vendor management



Engagement

Implement competitive program to recruit and retain top talent



Compliance

Ensure compliance with federal and state, medical, family, and sick leave laws

Developing and implementing the right strategic plan for your organization can help streamline administration, minimize complexity and improve the quality of delivery, including savings.

Mercer is ready to help

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Evaluate leave policy and processes



Gain insight into carrier market capabilities and strengths



Review potential risk and compliance aligned with state and federal requirements



Leverage key industry benchmarking and trends



Design and update absence strategies

Employers need to address COVID-19 impacts by balancing empathy in meeting their people's needs with the economics of the business. Mercer's life, absence and disability (LAD) consulting practice is an industry leader with significant market leverage and insights. Our consultative approach helps employers achieve their objectives and effectively improve the impact employee absences have on operations by designing and delivering customized LAD solutions or benefits programs.

Learn more and request a consultation at the [Mercer US New Shape of Work Hub](#), or [contact your Mercer Consultant](#).

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