

Mitigating the cost of disability

Why employers should treat all disability claims like workers' compensation claims

Are your lost time claims costing you a bundle? Average workdays lost per full-time worker as a result of illness or disability rose from 6.2 days in 1997 to more than seven days in 2001, according to Statistics Canada. This trend is expected to continue as baby boomers age.

According to Ontario's Workplace Safety and Insurance Board (WSIB), total benefits paid increased \$73 million, from \$2.91 billion in 2005 to \$2.98 billion in 2006. Total benefits include loss of earnings, health care and labour market re-entry benefits.

According to *Staying@Work* 2001, a study conducted by Watson Wyatt, the cost of absenteeism between 1997 and 2000 rose from 5.6 per cent of payroll to 7.1 per cent of payroll and indirect costs account for an additional 10 per cent for a total of 17.1 per cent.

Watson Wyatt further reported that stress, anxiety and depression are leading causes of short-term disability (STD) and long-term disability (LTD) claims. STD and LTD costs comprise a growing percentage of total disability costs. When combined, STD and LTD costs are more than twice as high as the average costs associated with WSIB costs.

With disability costs increasing, can employers afford not to have a proactive disability management program designed to manage all lost time claims? Let's examine the facts. When an employer has one or more employees off work on a disability claim, it will have many — if not all — of the following costs:

Overtime: When an employee becomes disabled and is unable to work, other employees must pick up the slack. This can often result in overtime costs or replacement worker costs.

Replacement worker: Whether recruiting new employees or relying on expensive



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temporary workers, at some point, especially with a prolonged claim, employers will incur replacement worker costs.

Training: Whether using current or new staff to replace someone on disability, the result is increased training expenses. The more claims an employer has, the more expensive training will become. Costs may include health and safety training, systems and technical training, orientation and shadowing an experienced employee.

Reduced productivity: Having reviewed the above costs, an employer should start to realize that, by proactively managing just WSIB claims, it is not addressing many other potentially costly variables such as reduced productivity associated with non-WSIB claims. How many times have employers relied on other employees to perform the job of a disabled employee? What impact has that had on productivity? Even if a disabled employee is replaced with someone experienced and comfortable performing the work, chances are productivity will go down. Customer service will undoubtedly suffer.

Increased absenteeism: An LTD claim may adversely affect replacement workers. If a replacement worker is expected to fill in indefinitely, accumulated stress, long work hours and physically demanding work may

result in replacement work absenteeism.

Reduced employee morale: Generally speaking, absenteeism results in poor morale. The more employees are absent, the more physical and psychological issues arise among working employees. Invariably, these issues will result in diminished morale.

Legal requirements: Legal requirements are potentially the biggest reason to manage all lost-time claims the same. Employers have a legal obligation to accommodate physically and mentally disabled employees up to the point of undue hardship. Undue hardship takes into account costs associated with making accommodations in the workplace and outside sources of funding such as government grants and health and safety issues. The burden of proof to demonstrate accommodation would cause undue hardship rests with the employer. Employers that don't offer modified work to all disabled employees are susceptible to significant fines and compensation awards as determined by human rights commissions.

Here's one example: Last December at the Ontario Human Rights Commission, an individual was awarded \$35,000 in general damages, \$10,000 for mental anguish and \$34,378.75 for special damages as well pre- and post-judgment interest. The commission also ordered the company to retain a consultant to train employees and managers on the employer's obligation to accommodate disabled employees. For more information about this case, visit www.ohrc.on.ca/en/resources/news/lane.

The message for employers is simple: Disability is costly. But, by managing all lost-time claims in a timely fashion, employers can mitigate the damage and avoid significant costs.

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