

## Disability Management and Productivity: A Message for the Global Workplace

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In a competitive economic market, disability management in the workplace is increasingly measured in terms of productivity and meaningful outcomes. Early return-to-work programs that transition employees back into the workplace, and prevention programs that reduce injury and disability incidences are all bottom-line issues.

For businesses in the U.S. and internationally, the productivity connection is making the case for disability management. Moreover, as U.S.-based companies expand their international operations, and as firms around the globe address the overall aging of the workforce, the beneficial impact that disability management has on productivity must be understood and emphasized.

Professionals in disability management, rehabilitation, and related fields must underscore the profitability connection when dealing with and offering services to businesses. The message that must be communicated is that effective disability management can reduce costs, return employees to work, retain more workers on the job, and improve productivity. This will help companies develop and preserve a competitive edge, which is vital in today's challenging business and economic environment.

The Certification of Disability Management Specialists Commission (CDMSC), the only nationally accredited certifying body for disability managers, in its web site ([www.cdms.org](http://www.cdms.org)) observes that disability managers "contribute to workplace productivity by providing services to accommodate the medical and vocational needs of ill and injured workers and minimize the cost impact of disabilities and absences for employers." Thus defined, disability management requires a multi-faceted approach, incorporating job analyses and accommodations for ill and injured workers, early return-to-work placements, prevention and safety programs, coordination of health care resources, and a move toward absence management. Moreover, effective disability management, under the direction of a certified professional, must bring together other elements of the corporation, from human resources, safety, and risk-management to financial and cost benefit analysis. To be the most effective, disability management should be in hands of a professional who can coordinate the multiplicity of approaches. Those who are certified by the CDMSC demonstrate that they have the required knowledge

areas, skill sets, and experience. "Simply put a disability management program encourages a health workforce while ensuring a company's long-term profitability" (Calkins, Lui, & Wood, 2000).

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**Direct and in-direct cost savings**

As we have seen in the U.S., larger companies have tracked data on their disability management programs to document participation, costs and the benefit to productivity. The results have been very positive when measured in terms of reduced costs and productivity (Akabas, Gates, & Galvin, 1992; Shrey, 1998).

For example, Weyerhaeuser Company is a forest products company employing approximately 60,000 workers across 8 states and 18 countries. By implementing disability management and return-to-work programs for injured workers, they were able to reduce overall cost-per-claim from \$3,500 to \$1,500 over a four-year period and reduce total worker's compensation costs by more than 50 percent (Hill & Gipson, 1990; Hursh, 1997). Weyerhaeuser is now examining how disability management practices can be implemented worldwide.

Further, in a study researching the impact of formal return-to-work (RTW) programs in hospital settings, hospitals that have formal programs experienced fewer average lost workdays and had a 50 percent reduction in the number of injuries when compared with hospitals without RTW programs. Significantly, the percentage change in premiums paid to the insurance carrier (called the experience modification rate) decreased from 1.35 to 0.86 for the hospitals with structured RTW programs (Gice, 1989).

Disability management and return-to-work programs demonstrate significant savings globally as well. MacMillan Bloedel, Ltd., Albernie Specialties Division, in British Columbia, Canada had long-term disability (LTD) and short-term disability (STD) costs at three times the industry average. After developing a disability management program, the number of lost days per accident has been reduced from an average of 20 days per accident to a little over 4 days. LTD rates were expected to drop by 25 percent, STD rates by 20 percent, and a \$1.25 million savings was realized in one year (Hursh, 1997).

Comcare Australia, the federal workers' compensation insurer, developed a comprehensive RTW program and demonstrated significant direct cost savings in several areas. After years of escalating work's compensation costs, the RTW program resulted in a reduction of 25 percent in their premium pool in the first two years of operation and a reduction in their average premium rate from 2.6 to 1.2 percent. Significantly, they saw a 14 percent reduction in the number of compensation claims lasting more than 28 days (Hursh, 1997).

In addition to the savings in direct costs for companies having worksite disability management programs are the savings in indirect costs, including the potential to reduce disability insurance premiums because of the overall reduction in employee disability claims, or the reduction in the average length of those claims.

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Further, as employee absences are reduced, there is less need for overtime hours from other workers, which not only decreases those wage-related costs but could also prevent injuries among employees who are fatigued or face physical stress because of increased work hours. Additional indirect costs may include any lost productivity, costs associated with hiring and training new workers, overtime pay, and potential long-term increases in disability or health care benefit premiums.

When this traditional approach is coupled with the trends toward integrated disability management and absence management, the potential benefit to productivity and the bottom line is further enhanced.

### **Expanding practice of disability management**

The practice of disability management continues to evolve, responding to increases in costs related to absenteeism, to the inefficiencies of a fragmented benefit system, and to a changing and more diverse workforce. Absence management seeks to reduce the incidents of unscheduled employee absences, whether due to illness, injury, personal or family problems, or other causes. Presenteeism goes a step further, seeking to improve the productivity of those who are on the job (Lui, 2002).

Efforts to keep workers on the job and performing at their best will require an integrated approach, one that can span traditional disability and workers compensation programs, group-health, and short- and long-term disability benefits. Expertise in each of these programs and benefits areas, along with an understanding of union and labor practices, federal laws (such as Americans with Disabilities Act or Family Medical Leave Act) and state regulations for workers' compensation, is a requisite for disability case managers today. The benefits of integrated disability management range from simplification of an all-too-often confusing administrative function, a single point of contact to access services, elimination of the "claims-denial" mentality, to an overall commitment to health and productivity (Calkins et al., 2000).

Another reality in today's labor market is that employers in most industrialized countries are experiencing an aging of the workforce, with an increase in different kinds of illness (cardio-vascular disease and arthritis, for example) and injury (such as musculoskeletal or cumulative trauma disorders). Disability management to return these workers to the job after an illness or injury, as well as prevention programs targeted at minimizing these incidents, also contribute directly to the total health of workers and thus a company's bottom line (Hursh & Shrey, 1994).

### **Global approach to disability management**

The challenges and opportunities of coordinating disability services and remaining competitive in a changing health care and economic market is not

restricted to employers in the United States alone. The unemployment rate for working-age people with disabilities is significantly higher than for non-disabled individuals around the world, and as high as 80 per cent in some countries.

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As U.S. companies become increasingly global through their operations, joint ventures, and alliances overseas it behooves them to bring the best practices in disability management to their global operations. Further, we are seeing a greater emphasis being placed on disability management and disability-related issues around the globe. While differences in health-care delivery (i.e. socialized medicine) and disability legislation will translate into variances in how medical and rehabilitative services are delivered, the fact remains that disability management is an effective means to maintain and improve total health of employees and, at the same time, boost business productivity.

The global response to disability management and disability-related issues provides an in-depth look at the approaches to illness, injury, disability and the workplace. Following are a few examples of global efforts in this area, which highlight the current thinking in disability management.

- The International Labour Organization, a tripartite group of labor, employer, and government representatives under the auspices of the United Nations, has adopted the Code of Practice on Managing Disability in the Workplace. The objective of this code is to “provide practical guidance on the management of disability issues in the workplace...” Specific goals of the Code include:
  - “ensuring that employers benefit from the contribution disabled persons can make at work;
  - “improving employment opportunities for disabled jobseekers in the open labour market;
  - “ensuring that people with disabilities are treated equally and have equal opportunities in the workplace;
  - “promoting a safe and healthy workplace;
  - “assuring that employer costs associated with disability among employees are minimized – including health care and insurance payments;
  - “facilitating job retention by people who acquire a disability while employed;
  - “encouraging the introduction of return-to-work measures aimed at those who have left employment due to disability” (ILO, 2001).

- The impact of mental illness in the workplace is recognized as a worldwide concern. The World Health Organization report (World Health Report, 2001a), “Mental health and work: Impact, issues, and good practices,” acknowledges that the burden of mental health disorders on health and productivity has long been underestimated, and reports the following:
  - In the European Union, 20 percent of the adult working population has some type of mental health problem at any give time;

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- o In the United Kingdom, 80 million days are lost each year due to mental illness;
- o In the United States, an estimated 200 million days are lost each year due to depression alone, at a cost of \$30-40 billion;

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The report cites several innovative programs addressing mental health needs in the workplace, including:

- A Canadian reintegration program utilizes a group training, joint supervisory/coworker sensitizing process, and follow-up for 6 months. Results show that 85 percent of participants returned and retained their job.
- Finland provides a Total Wellness Programme that incorporates mental health issues. Rather than a distinct mental health program, mental health issues are part of employee development, education, and health promotion. Attention to issues is triggered through a fitness questionnaire, which prompts discussion about resolving problems.

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- The World Health Organization (WHO) notes in its World Health Report (2001b) that "labour cooperatives have been organized by psychiatric patients, health and social workers and, sometimes, other disabled non-psychiatric patients in countries such as Argentina, Brazil, China, CÔte d'Ivoire, Germany, Italy, the Netherlands, and Spain..." The purpose is to "provide psychiatric patients with professional training in order to allow them to be engaged in economically efficient activities" (World Health Report, 2001b).

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- Over 50% of companies in the Czech Republic, Hungary, Poland, Romania, Russia, Slovakia, and Slovenia offer disability benefits. Further, companies operating in Central and Eastern Europe are more likely to offer employees death and disability benefits than medical and retirement benefits, according to John Swabey, Senior International Consultant of Watson Wyatt, Brussels. "The provision of benefits by companies in Central and Eastern Europe is changing rapidly," Swabey commented. "There is the need, common throughout Europe, to retain skilled and experienced workers together with the need to attract the right level of staff. Added to this is the pressure on some countries to move benefit provision more in line with Western Europe and as part of the preparation for membership of the EU" (Watson Wyatt Worldwide, 1999a).

- In May 2002 the First International Forum on Disability Management was held in British Columbia. The Forum attracted leaders and practitioners from over a dozen countries to discuss research, education, legislation, policy initiatives, and employment benchmarks related to worksite disability management.

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**Abstenteeism in the workplace**

The WHO report cited above notes that increased absenteeism globally can be a reflection of

- An increase in overall sickness absences, particularly for short periods;
- Poor health, including depression, stress reactions, and burnout; and
- Physical conditions such as high blood pressure, ulcers, headache, neck and backache, and infection.

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Unscheduled absence in the United States is presently at the highest levels ever and has increased by 46 percent among small businesses since 1944. In a 2001 report by CCH Inc. the cost of absenteeism for U.S. companies is as high as \$757 per employee per year, and can cost small businesses \$1,044 per employee per year (CCH Inc., 2001).

According to industry-wide figures, the cost of an employee absence is equal to 150% of an employee's wage (revenue capacity), plus the cost of wage replacement (salary continuance, disability, etc.). Thus if a worker is paid \$20 an hour, the cost of not having that person on the job equates to \$45 an hour (Watson Wyatt Worldwide, 1999b).

While reasons for these absences vary, the "entitlement mentality among employees" was cited as a problem, not only among employers in the United States, but also in Australia and the United Kingdom. Other reasons included employee dissatisfaction, history of recurrent sick leave use, lack of supervisor involvement, and personal and family responsibilities (Watson Wyatt Worldwide, 2000). Of significance is the CCH Inc. study that found more than two-thirds of unscheduled absences were due to reasons other than personal illness. Among small businesses, personal illness ranks second among the leading reasons why employees call in sick.

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Thus, addressing absenteeism, using disability management to improve productivity, and promoting a healthy workplace are global concerns. While specific initiatives may differ from company to company and from country to country, the emphasis will be on employee-focused programs to help workers stay on the job and be the most productivity as possible.

As Watson Wyatt (2001) noted, "...it is clear that organizations around the world are facing similar challenges: an aging workforce, a shortage of new workers, and an increasing demand for productivity. To be competitive in the worldwide marketplace, employers must adopt a worldwide view of their human resource issues, including absence management."

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**Aging Workforce**

One of the most significant forces in the workplace, worldwide, is the aging of the workforce. Experienced workers have a valuable depth of knowledge and expertise. Combining the age-related illness and injury concerns with the depth

of experience in older employees, disability management must play an active role in finding and enacting a solution (Hurs h & Shrey, 1994). Clearly, there is a segment of the population that is disabled that can help fill a void in the employment picture. This includes older workers who become disabled, as well as those who are disabled but need access and opportunity in the workplace. How this is accomplished around the globe will depend upon many factors, including legislation and policy initiatives.

In countries such as the United States, Canada, and the United Kingdom, legislation generally takes the form of anti-discrimination initiatives in the workplace and is more reactive in intent. In the United States [and the United Kingdom](#), the federal Americans with Disabilities Act (ADA), the [New Freedom Initiative Act](#), [the British Disability Discrimination Act](#), and [U.S.](#) state laws require that disabled individuals be allowed to compete for jobs for which they are qualified. In other [EU](#) countries, [such as Finland and Germany](#), laws may [be more proactive](#), including the provisions that employers hire a certain percentage of workers with disabilities (Shrey & Hursh, 1999).

Regardless of the legal backdrop, it is important that companies see disabled workers as a potential human capital resource to fulfill the need for manpower, particularly as the overall population ages. Moreover, as companies address the aging population, disabilities in the workplace and the impact on productivity, dynamic and innovative solutions may very well emerge that will provide insights and opportunities for benchmarking.

### **Prevention and safety**

One of the areas that will undoubtedly receive more attention as companies expand operations globally is the role of prevention and safety in the workplace under the ever-widening umbrella of disability management. [Recent attention to the study and development of ergonomic guidelines for prevention and resolution of musculoskeletal disorders is](#) but one [example of the increased emphasis on prevention and safety](#). [While ergonomics has been a priority focused on prevention in the United States, Canada also has recently emphasized ergonomic prevention through regulations.](#)

The objective of prevention and safety actions is to move toward total workplace health and wellness, particularly as it relates to absence management and absenteeism. This includes programs that examine incidents of workplace injuries to determine if there is a common cause that can be prevented, thus improving safety and reducing injuries in the future. Prevention also can address non-occupational health and wellness issues that impact productivity.

Another example is [allergies](#), which is a common problem among employees and the population in general [and an area where companies are introducing health and wellness interventions](#). Employees who suffer from seasonal allergies and take sedating antihistamines may be able to go to work, but may experience side

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effects such as drowsiness that can have a negative impact on productivity, and may also result in a workplace injury. Companies can take the initiative of informing employees as allergy season approaches about the various prescription drugs that can be prescribed by a physician, which do not cause drowsiness. The return on this investment in prevention is a safer and healthier workplace.

### **A look to the future**

From return-to-work initiatives to prevention and wellness programs, companies are taking steps to control the incidents of and costs associated with disabilities and employee absences. To be most effective, however, companies need to track, gather and analyze data, especially as it relates to the direct- and indirect costs associated with employee absences. "Without creating this primary foundation for the company's disability management infrastructure, it is impossible to create the necessary benchmarks to measure outcomes" (Calkins et al., 2000).

Despite the obvious need to track the impacts and potential benefits of disability management, many companies fail to do so. In the U.S., some two-thirds of surveyed companies said they did not know what their absence rate was or how their experience compares with that of their competitors, Watson Wyatt found. Further, six out of 10 U.S. employers do not track disability-related time loss (Watson Wyatt Worldwide, 2001).

~~While there is considerable interest in an integrated approach to disability management and employee absenteeism, there are still hurdles to overcome. Among them, are confidentiality issues surrounding employee medical records and, in the U.S., the integration of state-regulated workers' compensation programs with group health coverage. Nonetheless, employers continue to look at some form of integrated disability management or absence management to improve productivity, to reap an overall cost savings in benefits and to enhance productivity (Calkins et al., 2000).~~

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### **Conclusion**

The case for disability management is made at the company's bottom line. Disability management, reducing employee absences, and efforts to improve the performance of employees on the job are all productivity-related. In the U.S. and abroad, support for disability management and absence management can be found in efforts by companies to gain and keep a competitive edge. Further, as companies worldwide address the aging of the workforce, there is an obvious need to address disability-related issues.

What unites companies around the globe, it seems, is the recognition that disability management serves both employer and employee. Having more workers on the job, particularly those in whom the company has invested training and knowledge, improves productivity and boosts employee morale. Staying on

the job or returning to work more quickly than usual after an illness or injury helps employees preserve their earning power and retain their connection to the workplace. The implementation of disability management in the international arena will depend largely upon variables from the delivery of health-care, prevailing culture in managing chronic illnesses and disabilities to government regulations. Despite these differences, there is a clear opportunity for companies to learn from and benchmark best practices of leading employers around the global. For disability and rehabilitation professionals, the mission and the opportunity is to keep the emphasis on the bottom line.

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