

Understanding the ROI of leave management solutions

How to measure return on investment and
make informed decisions for your organization



Overcoming the investment hurdle — why understanding ROI matters

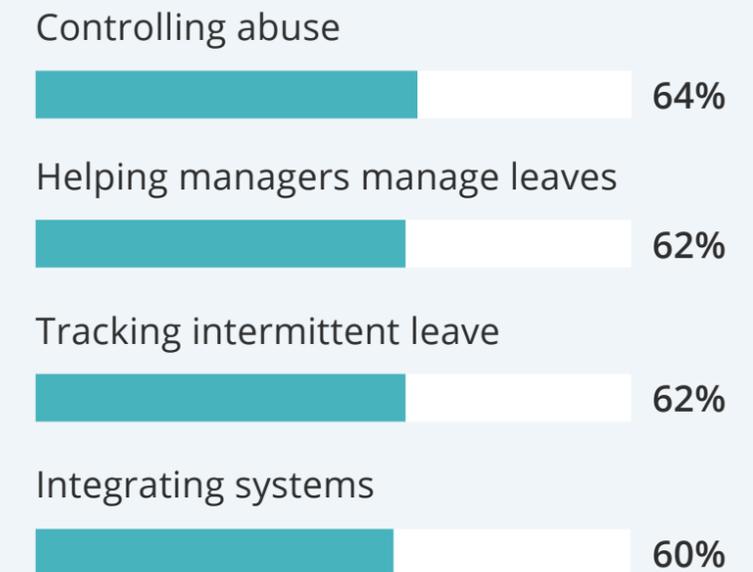
If you're like most companies, you've noticed that your employees really value time off. Accelerating a trend that had been growing for years, parental leave and time off for caregiving drew increased attention during the pandemic. In response to increased demand and a tight labor market, many employers emphasized leave benefits to attract and retain workers. Today, employers find themselves managing an increasing number of leaves amid a mounting number of federal, state and local leave laws. For many, doing this in-house is becoming less and less feasible.

But when companies start evaluating external leave management solutions, they may wonder if they are worth the cost. On the one hand, these solutions can take a complex and time-consuming function off of HR's plate, freeing them to focus on other strategic priorities. On the other, they may require a significant investment. Justifying the cost of outsourcing to senior management involves demonstrating that an external vendor will do a better job while creating efficiencies and cost savings that add up to a significant return on investment (ROI).

In this guide, you'll learn how to determine and compare the ROI of competing leave management solutions — and confidently build your case to take to senior management. You'll also learn the variables that create the biggest financial impact, so you can look for providers that give you the biggest bang for your buck.

Leave management challenges are broad

Employers finding aspect of leave challenging:



72% of employers find the process challenging overall.¹



of employers managing leave exclusively in-house are somewhat or very likely to consider outsourcing leave in the next 1-2 years.¹

Understanding the factors that go into leave management ROI calculations

Leave management solutions create positive ROI by reducing in-house leave administration costs and creating a better leave experience for employees. Here's a quick overview of the main components of a leave solution's ROI.

Administrative and legal cost savings

By taking on the responsibility for administering leaves and ensuring legal compliance, leave solutions can help companies reduce the direct costs of administering leave in-house while reducing HR time spent managing absences. Administrative and legal savings factors include:

- The cost of legal support for policies, administration, and legislative updates
- Potential penalties for non-compliance
- Time spent by HR

In addition to the direct legal costs of advising on leave requests and compliance policies, a major savings can be protection from litigation. While we only include direct legal costs in our ROI example, it's important to note that lawsuits can lead to legal defense costs and potential judgements that can reach into the millions of dollars. Vendors who provide comprehensive indemnification protection along with compliance services can have a big impact on potential savings.



Productivity savings

Outsourcing leave can reduce the number of protected lost work days a company experiences.

This is because:

- Leave Administration vendors administer FMLA and state leave laws in accordance with all laws and regulations.
- They have effective and compliant processes, applied consistently to all leave requests.
- Increased consistency and oversight lead to fewer protected lost work days and less abuse (called "the sentinel effect").
- More consistent return-to-work support can also result in earlier returns from some absences.

The greatest impact comes from vendors with deep experience and knowledge of the FMLA and state leave laws, as well as robust processes for reviewing requests and helping employees return to work.

Recruiting and retention cost savings

While some employers look at leave as something that needs to be controlled and monitored, leave solutions can also have a positive financial impact by providing a better leave experience for employees. Consistent leave policies, engaging self-service for leave and claim experiences, integration of leave and disability benefits and return-to-work specialist support can help increase positive outcomes and get more employees back to work sooner. They can also make employees feel more supported and engaged, helping foster positive employee sentiment, loyalty and retention.

Studies show:

#1

After health insurance, employers rank time away from work the most important benefit they can offer.²

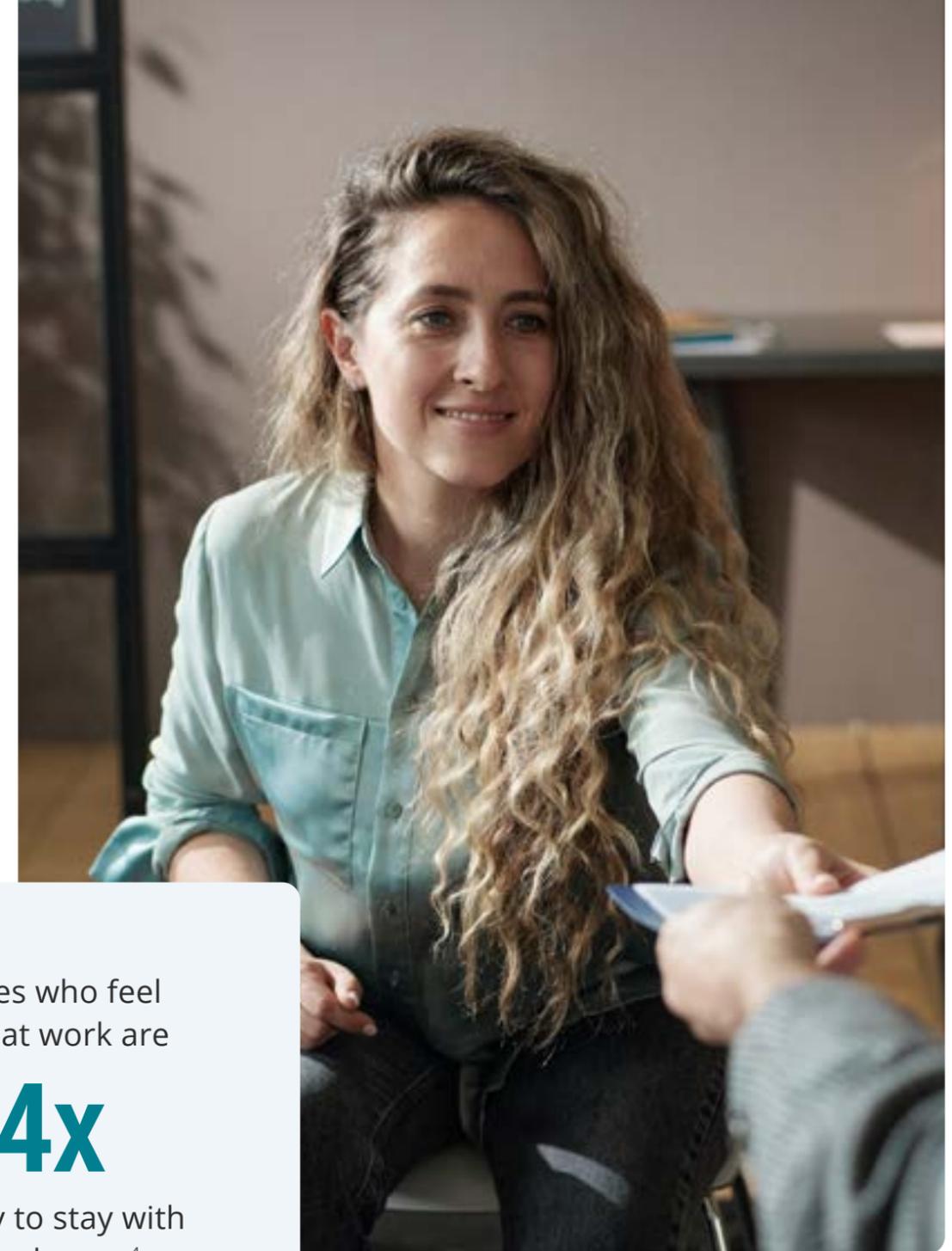


Three quarters of employees who are very satisfied with their benefits are inclined to stay with their employer.³

Employees who feel cared for at work are

7.4x

more likely to stay with their employers.⁴



Leave technology HR efficiency savings

Solutions that include robust technology components can create additional time savings for HR beyond those gained just by moving the work to an external vendor. These include:

Employee self-service efficiency

A powerful, user-friendly leave portal or app can allow employees to easily get the information they need to understand their leave options and perform important tasks on their own. This results in fewer questions for HR to answer and fewer requests for assistance.

Increased visibility and data access

Well-designed employer dashboards, real-time reports and data transparency can help HR spend less time looking for information needed to understand leave across the organization and assist employees when required.

Integration time savings

Leave solutions that integrate with the employer's HR information system can save time by automatically updating leave balances and ensuring correct employee pay without manual data management.

Leave management solution costs

The costs of an external leave management solution will reflect a number of variables: the size of your company, the exact services you purchase, costs of technology offerings, integration with your HR information system, etc. Solutions are typically priced on a per employee per month (PEPM) basis. The example provided in our worksheet represents a hypothetical full-service leave management engagement and technology solution. It is based on general market averages and doesn't represent any one vendor. Specifics will vary based on the services provided and technology solutions delivered.



How to calculate the ROI of a leave management solution

Core assumptions	
Average fully loaded salary per day ⁵	\$325
Average fully loaded HR hourly salary ⁶	\$48.88
Leave incidence rate (per EE/year) ⁷	0.126
HR admin cost per leave ⁸	186.25
HR data management time per leave (hrs) ⁹	0.53
Average days per non-maternity leave ¹⁰	19.2
Reduction of protected lost workdays with leave management services ¹¹	10%
Average turnover rate ¹³	17%
Cost per vacancy ¹²	\$18,183

Employer variables	
Employees	1,000
Projected leaves	126

Admin cost savings	
HR admin savings (employees x leave rate x admin cost per leave)	\$23,468

Productivity cost savings	
Projected lost workdays (projected leaves x days per leave)	2,419
Projected saved workdays (lost workdays x reduction in lost days)	242
Productivity savings (saved workdays x daily salary)	\$78,624

Retention and recruiting savings	
Saved vacancies ¹³ (employees x 17% turnover x 1% reduction)	1.7
Retention savings (saved vacancies x cost per vacancy)	\$30,911

Leave technology efficiency savings	
Self service efficiency (admin savings x 25% tech boost)	\$5,867
Integration time savings (leaves x data time per leave x HR daily salary)	\$3,285

ROI SUMMARY

Annual cost savings	
Admin cost savings	\$23,468
Productivity cost savings	\$78,624
Retention cost savings	\$30,911
Leave tech efficiency savings	\$9,151
Total savings	\$142,154
Per employee per month (PEPM) savings	\$11.85

Annual leave management cost	
Annual leave management cost	\$37,800
Leave management PEPM*	\$3.15

Annual return on investment	
Annual return on investment	\$104,354
Return on investment PEPM	\$8.70
Annual ROI	276%

Finding the right partner

When you begin comparing solutions, you'll discover that the breadth of services offered and the track record of the vendor are critical differentiators. The right services and expertise can have a major impact on legal costs, HR efficiency and the leave experience. Look for a vendor willing to help you take a deeper look at ROI with more specific calculations for your industry or type of workforce. As you calculate the ROI of solutions, be sure to get details on how various vendors substantiate their results. Remember that finding the best value isn't just about the lowest cost. It's also about finding a partner ready to optimize savings and deliver the best return on your investment.



Unum leave solutions

Unum leave solutions offer a full range of services that help companies more effectively manage absences by taking work off HR's hands, simplifying compliance and improving the employee experience. Combining a modern digital experience with live expert support and curated services, we make it easy for employees to get help navigating the life events that can often lead to leave, for a healthy, happy, productive workforce.

**Contact your Unum representative
to learn more.**



Better
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- 1 Unum Insights Report: Leave and absence management, 2024.
 - 2 SHRM, SHRM Employee Benefits Survey 2022, 2023.
 - 3 LIMRA, 2023 BEAT Study: Benefits and Employee Attitude Tracker, 2023.
 - 4 LIMRA, 2022 BEAT Study: Benefits and Employee Attitude Tracker, 2022.
 - 5 US Department of Labor Q1 2024 Average Median Daily Salary Range.
 - 6 Based on U.S. Department of Labor Occupational Employment and Wages, May 2023.
 - 7 Based on Integrated Benefits Institute leave benchmarking data, 2023.
 - 8 Based on Unum analysis of leave management administration operations across engagements, 2024.
 - 9 Based on Unum analysis of leave data management across engagements, 2024.
 - 10 Based on Unum leave data, 2024.
 - 11 Estimate based on historical averages, Unum internal data, 2024.
 - 12 Based on average cost per hire and time to fill for non-executive positions, SHRM Talent Acquisition Benchmark, 2022.
 - 13 Average turnover rate based on Mercer Turnover Study, Mercer, 2023.
- * Based on general market observations and analysis of known solution pricing.

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