

Transitional Duty Pays Off For Everyone

Companies find that giving workers modified duties beats a long stay on workers' comp, even if it means having them take jobs at local nonprofits.

By Garry Kranz

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Dannon Yogurt knows that the best-laid plans for workplace safety can't prevent every injury. The Fort Worth, Texas, food-products giant emphasizes safety precautions as the greatest preventive measure. But Dannon also has a transitional-duty program, which aims at getting injured employees back on the job as soon as possible for their own physical and mental well-being, and for the fiscal health of the company.

Working with medical doctors, Dannon officials modify an injured employee's existing job whenever possible. Sometimes, however, an injury is so severe that even modified duty is impossible. On those occasions, the Volunteer Center of North Texas tries to match Dannon employees with local nonprofits in need of additional short-term staff.

Lending out employees as local volunteers, with the approval of their doctors, has had a big impact on Dannon's bottom line. The company has reduced lost workdays by about 30 percent. Medical costs dropped between 32 and 35 percent. Recovery time has been slashed 27 percent. "The program reinforces the habit of going to work each day, which is a very strong trait. The quicker employees get back to doing work, the quicker their healing," says Joe Baldwin, Dannon's workplace safety manager. JPS Health Network, a Fort Worth hospital, has been a chief beneficiary. One Dannon employee puts in a 40-hour workweek at the hospital's gift shop, and another night-shift employee mans the information desk for five hours each evening. "Volunteers are getting harder and harder to find. That's why Dannon's program appealed to us," says Traci Day, the hospital's director of volunteer services.

Dannon pays a portion of the employees' wages while they work for nonprofits. Baldwin says the payoff comes in the form of reduced insurance premiums. Plus, getting workers healthy quicker helps reduce the length of time that replacement workers are on the payroll.

Improving the odds

It's not hard to figure out why companies like Dannon want creative strategies to rein in the runaway costs of medically related absences. The likelihood that a person will return to work decreases with each passing day, from 90 percent at four weeks to a mere 2 percent after 52 weeks, according to a joint study by Intracorp, the Washington Business Group on Health and the Journal of Workers Compensation. The same study found that employers could save \$3 to \$10 for every \$1 invested in a return-to-work program. Employers benefit by potentially reducing premiums for workers' compensation.

A recent survey of more than 720 employers by Mercer Human Resource Consulting and Marsh Inc. found that workers' compensation costs jumped 20 percent in 2001. Employees likewise gain by going back on the payroll, earning more than they would from workers' comp. They also accrue benefits and don't go back to their regular jobs out of shape and prone to re-injury, experts say.

"Companies are more inclined to have transitional-duty arrangements with nonprofits today, particularly when an injured employee can't be placed in a modified job at the company," says Anne Ritter, senior vice president with Aon Workforce Strategies in Shelton, Connecticut.

Unexpected thanks

Spherion Corp., a staffing company with 4,000 employees and \$987 million in revenue, unveiled a transitional-duty initiative in 2000. About 700 workers have qualified for it, and most have been given medically approved modified jobs by their employers. About 70 people--10 percent of those in the program--have been placed at community charities or other nonprofit organizations for transitional duty.

"Transitional employees go back to work at full duty usually about 30 days sooner, so that reduces the wages and the medical expenses we have to pay," says Susan Shemanski, Spherion's director of claims. "They're back into the productive workforce, and we're able to bill clients for them again."

It's not every day that an employee expresses gratitude for going back to work. So when Shemanski received such a telephone call six months ago, she was understandably delighted. On the other end of the line was a man who had suffered a leg injury at a manufacturing facility, causing him to miss several weeks of work. Fortunately, he had qualified for transitional duty. As soon as doctors gave the go-ahead, Spherion loaned the man out as a volunteer to a local charity, and the company continued to pay a portion his salary--more than he would receive on workers' compensation. He was given restricted duties and spent part of each day helping out with various tasks, such as repairing small equipment. In addition to receiving the emotional lift of resuming work, the employee rebuilt muscle strength and started earning a regular paycheck again. "He called to thank us for placing him in the program, since he had been worried that he wouldn't get back to work after his injury," Shemanski says.

Indeed, physical recovery isn't the only issue for injured employees while they're missing work. They also must deal with loneliness, doubt and worries about their future. "The longer that people are away from their jobs, the more difficult it becomes for them to return to the workforce in any form," says Jeffery Jordt, a Chicago-based senior vice president with The Segal Company, a consulting and actuarial firm. "On-the-job rehabilitation plays a critical role in recovery. It targets in a person's mind that there is an expected date for [full] recovery."

A transition that leads to change

Comcast Corp., a Philadelphia-based cable services company with about 50,000 U.S. employees, offers transitional-duty assignments, although it doesn't have an arrangement with nonprofit organizations. Instead, Comcast has a wide range of jobs that can be restructured to get employees back to work as soon as is practical. When one of its technicians fell off a ladder last year, sustaining several bone fractures, Comcast designed a modified job with restricted duties that were specified by doctors. The job was in sales, a completely new field for the employee, but it was work.

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Serendipity then took over. Knowing the ins and outs of cable systems helped the erstwhile technician readily adapt to selling. By the time he was cleared to return to full-time duty, the employee had decided he preferred sales to climbing ladders. He turned in his tool belt and never looked back. "He wound up staying in the sales position and got a higher-paying job as a result," says Andrea Smetana, a Comcast claims manager.

More than a nice gesture

Still, companies don't implement transitional or modified-duty plans merely to be nice to employees. Research suggests that return-to-work strategies help curtail the rising costs of unscheduled absences, which cut into productivity and eat away at profits. Direct costs of unscheduled absences, including those for workers' compensation, disability and family and medical leave, average 4 percent of payroll, according to another study by Mercer Human Resource Consulting. Indirect costs--overtime, lost productivity, and hiring and training replacement workers--could be two to three times higher.

What's more, employers don't have a lot of control over workers' compensation costs, which get paid out over many years. Those costs mount over time and put a drag on a company's balance sheet. Ritter of Aon knows of one 35,000-employee company that's facing about \$120 million in workers' comp payments during the next 10 years. And that isn't unusual, she says. Transitional duty is "not only about trying to get people back to work, but also about controlling costs," she says.

Also, insurance companies put pressure on companies to cut disability claims, either through safety initiatives or by getting workers to resume limited duties more quickly. "Insurers know full well that the longer someone is off work, the more expensive a claim becomes. And it goes up exponentially," says James Kremer, vice president of workers' compensation with Workers Transition Network, a third-party administrator in Deerfield, Illinois.

Premiums sometimes have little bearing, though. Comcast, for instance, carries "very high deductibles" and has never gone above them, according to Smetana. The goal is to keep medical payouts as low as possible. "We're playing with our own money, so we want to be very careful how we spend it," she says.

The downside risks

There is danger in putting too much emphasis on controlling costs. Companies should never make employees feel as if money comes ahead of their well-being, says Bill Catlette, an independent human resources consultant and founder of The Westar Group in Memphis. "That just leaves people with a bad taste in their mouths [and reminds them of] managed care," he says.

A March 2003 study by the Hartford Financial Services Group found that 73 percent of companies offer temporary alternative assignments for injured workers. Despite that, the study found, only 33 percent have adopted formal return-to-work plans. A principal reason could be the way that many companies are organized. Jordt says transitional and modified-duty jobs must have the buy-in of supervisors to really work. Since their performance and their pay frequently are linked with productivity ratios, supervisors may be reluctant to "babysit" a restricted-duty worker. Jordt gives the example of a 10-employee shipping department. If one of the workers is injured and placed on 50 percent restricted duty, the supervisor somehow has to replace the lost productivity, through either overtime or replacement workers. "So he's increased his cost with marginal or no gain in production. That's not a real incentive," Jordt says.

Breaking down walls

Kremer agrees. In many companies, human resources and risk-management departments don't interact when it comes to addressing the issue of employee injuries. Human resources tends to focus on staffing, recruitment and training, while risk management oversees the insurance issues. What's needed, Kremer says, is for the two disciplines to work as a team. "They need to break down that wall if they're going to understand the impact that absences have on their organization. That's the only way they'll be able to talk the language that senior management will understand." He also points out that devising a plan should not include make-work. "It's not about counting paper clips," he says. Instead, companies need to look at existing work demands and find creative ways for someone who is disabled to help, without aggravating their injury.

Ritter says that the best place to begin is with a comprehensive transitional-duty policy, including specific physical requirements for each job. It makes it easier to modify jobs if the need arises. Education is important, too. Tell your employees how the program will work, especially what the company is pledging to do. Ritter also says that workers must understand that "if they are offered a transitional-duty job, they need to accept it or risk losing workers' comp benefits." Transitional programs link money with employee morale, Catlette says.

As an executive with Federal Express Corp. in the 1980s, he developed and implemented the company's modified-duty plan. It produced a savings of about \$1 million in its first year. FedEx employees also gained a deeper appreciation for their company. The same holds true today. "If you do this with the goal of treating people right," Catlette says, "you will return more money to the company. Period."

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