Leave Management Isn't an HR Function.

It's a Cost System.

Why outsourcing leave administration doesn't control cost — and what happens when leave, disability, and state programs operate without coordination.

Most employers believe outsourcing leave administration solves the problem. It doesn't. It solves a process. The cost system underneath remains untouched.

Leave is a multi-layered financial exposure point — intersecting compliance, compensation, disability, state mandates, and employee experience. Few vendors can manage all of those layers. None today can integrate them. Yet total absence costs — including wage replacement, overtime, replacement labor, and lost productivity — **can exceed 20% of payroll.**

> **The result: organizations may be managing administration – but not the underlying costs.**

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The Financial Picture No One Is Looking At

If you're measuring leave cost as wage replacement, you're missing most of it. For a $50M payroll, leave-related costs can include:

COST CATEGORY	ESTIMATED EXPOSURE
State leave program contributions	$160K–$375K annually
Duplicate or uncoordinated benefits	$100K–$300K+
Legal exposure per claim	$25K–$150K
Compliance failure penalties	$250K+
TOTAL ANNUAL EXPOSURE	**$500K–$1M+**

> **In larger populations, this scales into seven-figure exposure. Most of it isn't tracked — because the issue isn't whether leave is being administered. It's whether it's being managed as a cost system.**

Where Cost Actually Hides

Leave cost distributes across layers that rarely appear in a single report — and are often owned by different parts of the organization:

ALLIANT CASE STUDY

In a recent review of a 3,000+ employee organization, Alliant identified **$57,000 in overpayments across just 8 leave cases** — with an estimated **$175,000–$225,000 in annual financial leakage**.

Root cause: lack of coordination between company benefits and statutory programs.

READ THE FULL CASE STUDY

1. **Duration and productivity loss**
   Leave runs longer than expected. Organizations with structured return-to-work strategies reduce leave lengths by days or weeks. Without that coordination, extended durations quietly compound cost.
2. **Operational disruption and hidden labor cost**
   Backfill, overtime, temporary labor, team reallocation. Real costs that live in operating budgets, spread across departments, and are rarely attributed to absence.
3. **Compliance exposure**
   Outsourcing separates execution from accountability. It doesn't transfer liability.
   Employers remain responsible for payroll contributions, employee notices, regulatory filings, and policy alignment across every jurisdiction where they operate. Vendors manage intake and case tracking. Employers retain accountability for how policies interact, how benefits are coordinated, and how regulations are applied.
4. **Benefit overlap and duplication**
   Employees receive overlapping benefits across company-paid leave, state programs, and disability — sometimes earning more on leave than while working. Without coordination, employers fund multiple benefits simultaneously. For mid-sized organizations, this can create **$100K–$300K+ in annual overpayments**.

COMPLIANCE EXPOSURE EXAMPLES	POTENTIAL COST
Payroll penalties (e.g., New York)	Up to 0.5% of payroll ($250K on $50M)
Single claim defense	$25K–$150K in legal fees
Leave-related litigation	$14.4M settlement (recent case)
New state program costs (e.g., Maryland PFML)	$100K+ for 200 employees

The Leadership Challenge

Absence management is a financial, compliance, and governance issue that demands executive visibility.

- **For CFOs**, leave introduces budget volatility that's difficult to model.
- **For CHROs**, expanded benefits create compliance friction when not aligned with statutory programs.
- **For both**: the challenge is understanding the true cost of absence — not just the administration of it.

The Alliant Difference

Leave programs function as a fragmented cost system — spanning payroll, HR, compliance, and operations — with no single point of ownership. That's where cost accumulates.

Alliant approaches leave differently — treating it as a governed system, not a processed transaction:

- **Hidden cost drivers are identified**
  Duplication, duration-driven exposure, and untracked operational spend are surfaced — particularly those sitting outside traditional reporting
- **Programs are aligned across the system**
  Employer-paid leave, disability, and state programs are coordinated to eliminate overlap and prevent overpayment
- **Accountability is established**
  Responsibilities across vendors, internal teams, and jurisdictions are clearly defined — reducing compliance exposure that remains with the employer
- **Control mechanisms are implemented**
  Offsets, return-to-work strategies, and governance structures are designed to actively manage duration and financial exposure
- **Full cost visibility is created**
  Wage replacement, operational impact, and program spend are brought together — so leadership can govern what they can finally see

We identify exactly where the *$500K–$1M+ exposure* is coming from — and eliminate it at the source.

ALLIANT INSIGHT

For mid-sized employers, the "hidden layer" of leave — duration, disruption, and coordination gaps — can add $100K–$400K annually on top of what's already being paid.

"The challenge isn't just understanding leave laws but understanding how multiple programs interact. When employer benefits, state mandates, and vendor processes aren't coordinated, organizations can create costs and compliance risk without realizing it."

Meghan Van Der Sluys,
Alliant Leave Management Expert

A Question for Leadership

If you had to quantify — today — the full cost of absence across your organization, including productivity loss and operational disruption, could you? If that answer is unclear, there is likely a meaningful cost attached to that uncertainty.

Next Steps

- Download our 2-minute diagnostic to uncover hidden cost and coordination gaps
- Start an Alliant leave program review to quantify your exposure and build a governance strategy

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