AI and the Future of Leave Management

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Employee leave has been one of the most complex areas of human resources and employee benefits for decades. Artificial intelligence (AI) can be an effective tool for leave management, but employers must navigate legal and regulatory issues.

benefits
MAGAZINE

magine this: An employee is going through a difficult pregnancy, juggling medical appointments, work responsibilities and the stress of uncertainty about how long she'll be out or what paperwork she'll need. In the past, her experience with requesting leave might have involved multiple back-and-forth emails, long wait times and the dreaded hold music as she tried to reach a representative.

Now imagine a different scenario: She logs into a digital platform, answers a few questions through a chatbot, uploads her medical documentation and receives a personalized leave plan and confirmation of benefits within hours. Behind the scenes, artificial intelligence (AI) has rapidly assessed her situation, identified which leave options the employee may be eligible for, flagged missing documents and even predicted when she may return. A case manager steps in for more complex decisions, but the bulk of the busywork is already done.

This is no longer the future. It's what's beginning to unfold today.

A New Era for Leave Management

Employee leave has been one of the most complex areas of human resources (HR) and employee benefits for decades. It's a unique intersection of health care, law, compliance and human need since it can include Family and Medical Leave Act (FMLA) leave, medical leave, disability, personal leave, parental leave and more.

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takeaways

- Artificial intelligence (AI) can help employers analyze data and communicate with participants for leave issues. AI is less effective in handling sensitive leave topics, such as mental health conditions, disabilities, and complex claims that might involve multiple diagnoses or events with overlapping factors.

- Employers must be aware of regulations such as the No Robot Bosses Act and state laws that establish oversight and ensure responsible usage of AI in employment-related decisions.

- To mitigate legal risks, employers should conduct thorough due diligence before implementing AI-driven solutions.

- Data security is of particular importance. Employers should ask vendors whether AI tools comply with the Health Insurance Portability and Accountability Act (HIPAA) and General Data Protection Regulation (GDPR).

- Future uses of AI in leave management include employee wellness and compliance monitoring.

The constantly evolving landscape of federal, state and local paid and unpaid leave laws makes it even more difficult for employers to navigate their legal obligations and coordinate applicable laws with their own company-provided leave benefits. AI is starting to redesign that experience—both for the employees who need support and the HR teams and third-party administrators (TPAs) that provide it.

Last year, extra-large U.S. organizations were most likely to use AI (40%) in their HR department, yet even smaller businesses—those with just two to 99 employees—are following suit, with 22% integrating AI into their HR processes.[1]

However, while AI use is meant to build efficiencies, integrating this technology requires a careful evaluation of benefits and potential risks. Employers must navigate legal and regulatory considerations while ensuring fair and equitable outcomes for employees.

What AI Can (and Can't) Do in Leave Management

AI is the ability of computer systems to perform tasks that typically require human intelligence, such as understanding language, recognizing images, making decisions and solving problems. Machines are said to have AI if they can interpret data, learn from it, and use the knowledge to react and achieve specific goals. Absence management vendors and insurance carriers have used AI for many years, but it has now become more visible in the form of chatbots in vendor portals, text messages and automated approvals.

Without AI, employers are generally performing most tasks manually (including taking in requests, tracking leaves, reviewing medical documentation, determining approvals, updating HRIS systems, communicating updates to the employee and their manager, and ensuring that pay is appropriate). Most large employers use leave management software to assist with this work, but tasks are still very time consuming and require human input.

As more states adopt paid leave laws, leave management is only going to get more complicated and complex for employers. Utilizing AI within leave management processes has the potential to reduce administrative and repetitive tasks, ensure prompt claim processing and help employees better understand their specific situation and options.

AI can offer help in the following leave management tasks.
- **Analyzing data:** Using sophisticated algorithms, an AI tool can analyze medical records, claims histories and workforce trends. It can then identify red flags (such as

missing or conflicting information), suggest next steps and even predict when an employee may return. This means that claims managers no longer need to sift through 40-page pdf files of medical records to find the relevant paragraph from a doctor's note. AI can extract and summarize the critical details.

- **Communicating with participants:** Real-time communication tools can also improve the employee experience. Chatbots, which could be deployed by the employer or a third-party vendor, can provide 24/7 assistance, giving updates and answering employee questions. Furthermore, *sentiment analysis*—where AI detects emotional cues in employee interactions by reviewing telephonic claim discussions—helps claims managers step in with empathy when someone seems distressed or confused.

AI is less effective in the following areas.

- **Handling sensitive topics:** Not all leave cases are cut and dried, and even the most advanced algorithms can't replace the compassion or judgment of a well-trained professional. Particularly when dealing with sensitive topics including mental health conditions and disabilities, AI should support rather than replace human interaction. For example, AI may flag a situation where an accommodation should be considered while an employee is still on leave, such as a return-to-work modification request, or when an intermittent FMLA case runs out of protected leave and additional support is needed. These triggers can prompt human claims managers to evaluate the case and take appropriate next steps.
- **Complex claims:** Another area where human oversight is essential is in claims involving multiple diagnoses or events with overlapping factors. Examples could include a disability claim for a knee replacement for a patient who also has type 1 diabetes or a maternity claim for a woman who develops postpartum depression. In such cases, AI can assist with organizing information and identifying patterns, but the ultimate decision—particularly one that involves nuanced interpretation of policy or legal obligations—must be made by a human. In this way, AI can enhance efficiency, while human oversight supports fairness, empathy and compliance.

Regardless of the application, AI should not be used to make adverse decisions against employees without human oversight. For example, using AI to take an adverse action

The Future of AI in Leave Management

The impact of artificial intelligence (AI) on leave management is expected to expand in the coming years. As AI technology advances, its role in back-office processes will become more sophisticated, leading to increased automation and efficiency. However, the integration of AI into front-end user experiences will require careful consideration to ensure employee trust and acceptance.

A balanced approach—combining AI-driven efficiency with human oversight—will be key to the future of leave management. Employers that leverage AI responsibly may enhance operational efficiency and foster a more transparent and employee-centric leave management system. By staying informed and adopting best practices, organizations can maximize AI's benefits while mitigating associated risks, ultimately improving the overall employee experience.

Looking ahead, AI holds potential applications in the following areas of leave management.

- **Employee wellness:** AI tools can help detect early signs of burnout, such as frequent absences, erratic log-in times or stress signals in survey responses, and trigger wellness outreach and suggest appropriate leave options or support resources.
- **Compliance monitoring:** This could help employers stay aligned with evolving labor and employment laws, reducing legal risks and ensuring leave policies remain up to date and compliant.

against an employee related to their FMLA or protected leave may result in unlawful retaliation or interference claims from the employee. Employers are not shielded from liability for unlawful discrimination resulting from AI tools, even if they played no role in creating or administering the tool.

AI Ethical and Legal Considerations

New technology brings new questions—and not just about functionality. As AI takes on more decision-making power, employers should carefully weigh ethical, legal and privacy implications. The shift to data-driven decision making introduces issues with transparency, accountability and moral use, especially when AI intersects with sensitive employment decisions.

In recent years, several legislative efforts have aimed to regulate AI use in employment decisions. The No Robot Bosses Act focuses on preventing employers from relying exclusively on AI to make employment decisions. In addition, various state-specific laws, such as the Colorado AI Act and New York City's Automated Employment Decision Tools law, aim to establish oversight and ensure responsible AI usage in employment-related decisions.

The Equal Employment Opportunity Commission (EEOC) has also taken a firm stance on employer liability concerning AI. Employers are held accountable for the actions of third-party AI vendors, meaning that organizations must ensure that AI-driven decisions do not lead to disparate treatment or unlawful discrimination. AI's role in preemployment screenings and disability accommodations is another crucial consideration. Employers must ensure that AI-driven assessments comply with the Americans with Disabilities Act (ADA) to provide reasonable accommodations for individuals with disabilities. This is particularly relevant for leave management, where decisions often intersect with ADA. A misstep

in using AI to evaluate leave eligibility or return-to-work accommodations can easily spiral into legal trouble. For example, an AI tool might miscalculate an employee's hours of service for FMLA eligibility because an employee who regularly works more hours than the standard eight-hour day failed to track all of their hours in a timekeeping system. If there is no human oversight before a final determination is communicated to the employee, the employer would be left liable for this inaccurate eligibility determination.

Employer Considerations When Choosing AI Vendors and Tools

Employers cannot avoid liability simply because third-party vendors administer AI tools. If an AI tool results in unlawful discrimination or fails to accommodate a disabled applicant, the employer may still be held liable under EEOC regulations. To mitigate risks, employers can conduct thorough due diligence before implementing AI-driven solutions to ensure that they choose the right tools.

Questions for Prospective Vendors

Employers should consider the following when choosing a vendor.

- Has the AI model undergone bias testing?
- Can employees request a manual review of automated decisions?
- Does the system flag disparities in how it treats different demographic groups?

Data Security

AI tools often handle highly sensitive medical and personal information, so employers need to ask vendors the following questions.

- Are the systems compliant with the Health Insurance Portability and Accountability Act (HIPAA) and the General Data Protection Regulation (GDPR)?
- What kind of controls are in place? Secure data-handling and encryption protocols should be a priority when implementing AI-driven leave management systems.

In-House Tools or Collaborative Projects

Beyond vendor vetting, some employers are building their own AI tools in-house or in collaboration with vendors. These initiatives often involve cross-functional teams that work closely with the business to gather use case data to train and test the AI. This tailored approach can lead to more relevant, trusted tools that reflect an organization's specific needs.

Human Interaction

Employers should ensure that their teams understand how AI works, when to trust it and when to intervene. Training HR professionals in AI literacy is not just helpful—It's essential for successful implementation and use. Topics could include AI basics and terminology, how to use approved AI tools appropriately and responsibly, recognizing potential biases in AI systems and tools, and creating prompts and understanding when human oversight is needed, among others.

In parallel, employers are also drafting clear AI use policies. These policies may identify approved tools and outline appropriate use cases for employees, creating a safer, more structured environment for AI adoption.

AI Implementation Strategy

The following implementation strategy may help employers build a conscientious, thoughtful system.

- Conduct due diligence when selecting AI vendors by evaluating how algorithms make decisions and confirming compliance with relevant labor and employment laws.
- Promote transparency by informing employees about the use of AI in leave management and explaining their rights regarding accommodations and manual review requests.
- Ensure human oversight in AI-driven decisions to preserve fairness and accountability in leave outcomes.
- Choose AI tools carefully to ensure they assess only job-essential qualifications and avoid discriminatory impacts.
- Develop and implement responsible AI usage policies to establish clear, ethical guidelines for use in the workplace.
- Regularly conduct audits of AI systems to validate outcomes and identify potential biases or inaccuracies.
- Stay informed on evolving legislation to maintain compliance with AI-related employment laws.
- Establish a framework to monitor fairness and inclusivity in AI-generated decisions, especially for protected demographic groups.
- Create an AI ethics board or advisory group to oversee implementation and ensure alignment with company values.

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Conclusion

At its best, AI empowers people by handling the repetitive and the technical so that humans can focus on what truly matters: support, empathy and strategic decision making. For HR leaders, the challenge isn't just adopting AI. It is adopting it well. That means staying informed; asking the right questions; and ensuring that every decision made by a machine can still be explained, justified and, if needed, overturned by a human. ●

Endnote

1. Statista. "Share of organizations using artificial intelligence (AI) in its HR department in the United States in 2024, by organization size." November 15, 2024.

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