

The economic costs of care to employers: A synthesis of findings

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Preamble

Findings reported here are based on a synthesis of results from a three-year program of research (2010-2013) on the economic costs of care directed by Dr. Janet Fast at the University of Alberta. Embedded within this interdisciplinary research program were five projects led by co-investigators Dr. Donna Lero (University of Guelph), Dr. Norah Keating (University of Alberta), Dr. Janet Fast (University of Alberta), and Dr. Karen Duncan (University of Manitoba). This synthesis report integrates findings from four of the five projects that:

- Provided a framework and literature review of the economic costs of care to employers
- Examined Canadians' caregiving trajectories across the life course and risk factors for experiencing care-related employment consequences
- Estimated the monetary costs of eldercare-related labour market accommodations, and
- Documented the availability, accessibility and effectiveness of workplace supports for Canadian caregivers.

Methodology used

- Systematic scoping review of 42 articles was used to examine the extent, range and nature of the economic costs to employers of family/friend caregivers, to explore major influences on the magnitude of those costs, and to produce a synthesis of the existing literature.
- Analysis of Statistics Canada, General Social Survey, 2007 on family, social support, and retirement. Impacts of caregiving on employment are based on a sub-sample of 4,129 caregivers aged 45 and older.
- Analysis of Statistics Canada, Labour Force Survey (1997-2008) panel data on work interruptions of 4,870 caregivers to older adults (aged 65 and older).
- Comprehensive on-line voluntary survey of 291 employers and senior HR managers from across Canada in a diversity of workplaces (across size, sector, and industry); workplaces were sampled from all provinces.
- 25 semi-structured telephone interviews (conducted in English or French) with managers who had experience supervising employees with caregiving responsibilities, representing workplaces in a variety of industries and across sectors.

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The Economic Costs of Care to Employers: A Synthesis of Findings

Analysis of population and labour force trends confirm that a growing proportion of the Canadian workforce has or will have significant responsibilities for care to adults with chronic health problems. Indeed, in 2007 2.3 million employed Canadians, comprising 40% of all employed women and 31% of all employed men aged 45-64 provided care to a family member or friend with a long-term health problem or disability. In fact, the number of employees who combine paid work and caregiving responsibilities is substantially higher when caregivers who are younger than 45 years old are included and when a life course perspective is applied that captures both current and past episodes of caregiving. More than half of all women (52%) and 40% of all men reported that they had provided care to at least one family member or friend with a long-term health problem or disability at some time since they were 15 years of age. With population aging, these numbers will increase substantially.

Given the importance of labour market participation to the Canadian economy, the aging work force, increasing retirement age, and future skilled labour shortages, caregiving is a work-family issue that employers and other stakeholders need to deal with to maintain the labour force and ensure workplace efficiency. This report focuses on *employers* of family/friend caregivers, the types of costs they may experience as a result of having employees with adult care responsibilities in their workplace, and employers awareness of and responses to the needs of such employees.

This synthesis report begins by setting the context, noting the emergence of caregiving as a workplace issue from an employer perspective. We present a framework illustrating three distinct domains of economic costs for employers of family/friend caregivers and integrate evidence from across our research program of the impact of caregiving on employers and the availability of workplace supports that might alleviate some of these costs. We conclude that employers must give this emerging issue greater priority than they have to date, both to reduce avoidable business costs and to enable employees to better manage work and caregiving roles.

Caregiving is an emerging issue for employers, but not an organizational priority

Seventy percent of Canadian employers surveyed were aware of employees in their workplaces who had care responsibilities for adult or elder family members with a disability or long-term health problem. Nearly half (45%) were aware of employees who were providing care or support to a family member in another province or country. Yet, support for employees with adult/elder care responsibilities is not a strategic priority in most large organizations.

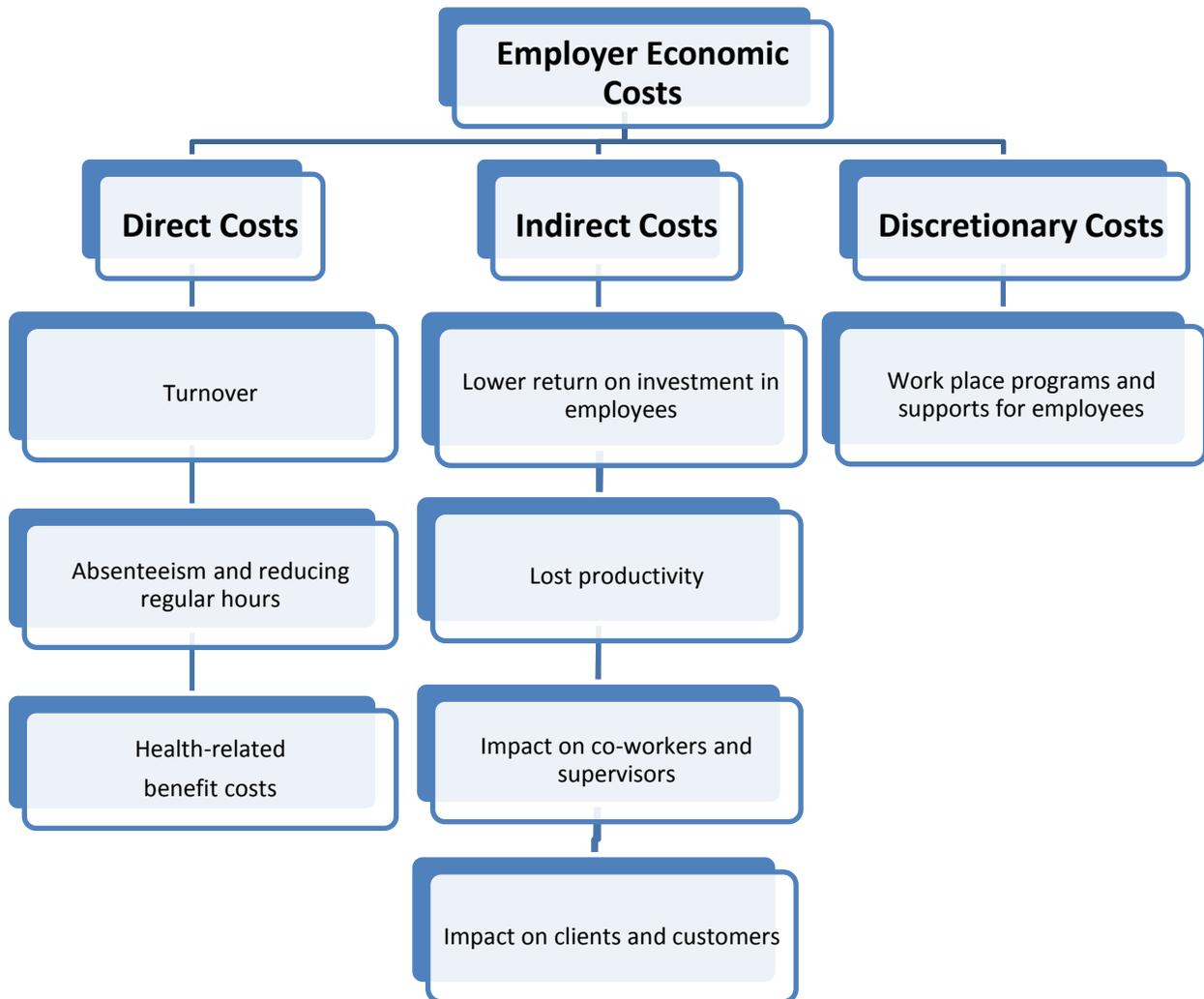
While three quarters of surveyed employers assigned priority to supporting employees' healthy work-life balance, few appreciate the unique needs of employees with adult/elder care responsibilities or have put in place policies or practices with this group of employees in mind. In fact, 57% of employers surveyed said that adult/elder care is a low priority (35%) or not on

the radar screen (22%) in their organization. Knowing the impacts that family/friend caregiving has on employers and the associated costs they incur is a key step towards raising awareness among employers and building a business case for caregiving as a challenge to employee engagement, health, and productivity with bottom line costs for organizations.

Types of economic costs employers incur

There are three distinct domains of economic costs for employers of family/friend caregivers as illustrated in Figure 1: *Direct costs*, *Indirect costs* and *Discretionary costs*. The magnitude of these costs will depend on a number of factors, including organizational characteristics (firm size, industry, sector, whether the workplace is unionized), workforce characteristics (age and gender composition of the workforce), and workplace culture (which affects the extent to which employers provide flexibility, leave options, and resources to help support work-life integration and employee wellness).

Figure 1. Taxonomy of the economic costs of care to employers



Direct costs to employers can be tracked

Direct costs include the salary, benefit and administrative costs associated with the presence and performance of employees in an organization. The subcategories of direct costs are: turnover (wage and benefit costs attributable to replacing employees who retire, quit or leave a job); absenteeism (wage and benefit costs for absent workers and their replacements); and health-related benefit costs (costs associated with additional health care claims and disability leave associated with caregiving that affects employees' physical and mental health).

Turnover cost Canadian employers \$3.8 billion in 2007

Costs related to recruiting, selecting and training personnel who retire, quit or leave their job in order to provide care can be significant. One in five employers (21%) surveyed indicated that they had employees who had quit or took early retirement to provide care. Based on our analysis of the 2007 General Social Survey, nearly 184,000 Canadian employees aged 45 and older retired, quit or left their jobs in order to provide care. Applying the same methods used in the MetLife Caregiving Cost Study (MMMI and NAC, 2006), based conservatively on 50% of median annual wage as the direct cost of replacing an employee who left their job because of their care responsibilities, care-related employee turnover cost Canadian employers at least \$3.8 billion in 2007.

Absenteeism and reducing regular hours are common

The most common consequences of caregiving observed by employers were partial absenteeism, including employees arriving late or leaving early (84%), and taking unscheduled part or full days off (74%) due to caregiving. Indeed, over 520,000 employed caregivers aged 45 and older missed, on average, three full days of work per month to provide care in 2007; collectively they missed nearly 1.48 million work days per month. Likewise, taking full or part days off from their jobs to accommodate eldercare responsibilities were common among both public and private sector employees (at 30%) based on analysis of 12 years (1997-2008) of Labour Force Survey (LFS) panel data.

When the demands of caregiving increase, some employed caregivers choose to reduce their hours of paid work, perhaps moving from full-time to part-time employment. In 2007, over 313,000 employed caregivers aged 45 and older reduced their hours of paid work to provide care. On average, women cut back their paid work hours (8.3 hrs/wk) more than men (5.8 hrs/wk). Collectively, this is an aggregate loss to the labour force of 2.2 million work hours each week. Both absenteeism and reduced hours of employment represent an enormous loss to employers and to the economy in general; the equivalent of 157,000 full time employees annually. Based on analysis of LFS panel data (1997-2008) reducing hours of paid work to accommodate eldercare responsibilities was more common among private than public sector employees. Less than 10% of private sector and less than 5% of public sector men and less than 20% of private sector and less than 10% of public sector women worked part time in order to meet eldercare demands.

Health-related benefit costs: 40% of workplaces surveyed had employees who took stress leave related to caregiving

Care-related illness and disability that increases employed caregivers' reliance on health-related benefit plans have the potential to impact Canadian employers' bottom line as well. In nearly

40% of workplaces surveyed one or more employees took stress leave or disability leave, at least in part as a result of their caregiving responsibilities. Employed caregivers similarly reported that their care responsibilities affected adversely their health: at least 402,750 of them in 2007.

Indirect costs reduce productivity and are costly, but are less quantifiable

Indirect costs relate to lost productivity and reduced organizational effectiveness associated with the loss of personnel with training and firm-specific knowledge who may retire, quit or reduce their work hours to provide care. Impacts also can “spill over” to other employees when employees with caregiving responsibilities leave their job, retire, reduce their work hours, are absent from their jobs, or distracted while at work. Indirect costs are less visible or easily quantified in organizations and reflect secondary effects of turnover and absenteeism, with potential impacts on customers and clients. According to our systematic literature review, indirect costs related to reduced productivity can be more detrimental and more financially costly to employers than the direct costs associated with employees’ turnover, absenteeism, or leaves.

Lower return on investment in employees: Almost 30% of employers surveyed had employees refuse promotions or job assignments

Reduced return on employers’ investment in employees’ human capital is a concept that refers to the loss of an experienced employee with firm-specific knowledge, skills and experience. Almost 30% of surveyed employers had one or more employees with caregiving responsibilities who refused a promotion or job assignment or were not able to travel or participate in organizational functions. Nationally, in 2007 less than 5% of employed women caregivers aged 45 and older and 3% of men turned down a job offer or promotion because of their caregiving responsibilities. However, collectively this represented 280,805 employed Canadians.

Interviews with managers confirmed that many of the employees who have work-care challenges are long-term, valuable employees, sometimes with unique roles in their organizations.

“We’re in a highly specialized industry...so we need to support our people where we can. We don’t want to lose any of our employees.” (Human Resources manager, private sector, pharmaceutical company)

“We don’t say no to requests for family-related time because it leads to issues of retention and lack of productivity.” (Director, Human Resources, private sector, professional/legal organization)

In an effort to retain experienced staff, half of employers surveyed allowed at least some employees flexible careers: phasing into retirement by working reduced hours over a period of time prior to full retirement (54%); taking sabbaticals (paid or unpaid leave of 6 months or more) and returning to a comparable job (53%); or taking an extended career break for caregiving or other personal or family responsibilities (51%). More than a quarter of employers (28%) offered some employees special consideration when returning to the organization after an extended career break.

Lost productivity reported by half of employers

Decreased productivity may occur as a result of absences and/or as a result of fatigue, mental preoccupation, taking or making phone calls, low morale, interruptions at work, stress, and caregiver strain, which can reduce job performance, potentially affecting job security. Regardless of workplace size, many employers noted that employees with caregiving responsibilities reduced their output, quality of work or performance level (47%), or seemed uncharacteristically distracted, made errors, became injured or put someone else at risk (33%), reflecting the degree to which caregiving affects the productivity of both employed caregivers and their co-workers.

Impact on co-workers and supervisors reported by one-third of employers

One-third of employers surveyed had noticed that managers were trying to resolve caregiving issues on their own (32%) and that teams were trying to cover for or support co-workers with caregiving responsibilities (38%). The impact on colleagues can be significant:

“With managers, there is no budget for replacement... They may be on paid leave – so others have to absorb the work.” (Superintendent of Operating, public sector, transportation organization)

“She needed to have her time...and so it required flexing and reassigning some responsibilities... dividing up some short-term responsibilities and then as time went on...It was hard sometimes. I mean she has a very special role in the organization so it was challenging at times, but the bigger picture is she needed to be with her family.” (VP, Patient Services and Chief Nursing Executive, broader public sector, health care organization)

These findings indicate that employers are seeing important organizational consequences associated with the challenge of combining work and caregiving responsibilities that extend beyond those employees with care responsibilities to others in the workplace.

Impact on clients and customers may be greatest for self-employed caregivers and small businesses

According to our systematic review, no research studies were found that directly related lost revenue, in the form of sales, foregone contracts, or other business income arising from caregiving employees' employment consequences. However, it stands to reason that such costs would result when individuals who provide direct services to the public or to specialized clients are absent from work or fail to provide the quality or timeliness of service expected. Evidence from interviews with managers substantiates this indirect cost and illustrated employers' efforts to minimize possible impacts on clients and customers when employees have caregiving responsibilities.

"Being short-staffed... We had to rush to put pieces in place so it wouldn't have an impact on our clients." (Owner, private sector, management and training organization)

Loss of clients or customers may be a significant risk to those who are self-employed because their absence or failure to provide goods or services on time can directly affect their current and future income. In Canada, 512,281 caregivers aged 45 and older were self-employed in 2007 (29% of employed men caregivers and 16% of employed women caregivers).

Men caregivers were more likely to be self-employed, and self-employed caregivers were more likely to experience employment consequences than those working for an employer, in particular reducing their hours of work, thus compounding the impact of caregiving on employment income. Furthermore, self-employed women were 4.7 times more likely than those working for an employer to have reduced the hours they spent working at their own business because of their care responsibilities, while self-employed men were only about half as likely as men working for someone else to reduce their work hours because of caregiving.

Discretionary Costs: Employers' "Best Practices" may defray avoidable turnover, absenteeism and productivity costs

Discretionary costs are associated with the provision of flexibility, support, services or financial assistance to employees with caregiving responsibilities. These benefits and workplace practices are often referred to as "Best Practices" that can help defray avoidable absenteeism and productivity costs and aid in retaining valuable personnel. Such practices allow employees to better manage work and caregiving responsibilities by using paid family care days and paid leave options, additional or enhanced Employee Assistance programs, and additional information supports.

We found that organizations that provide the most flexibility are those that are more likely to provide more generous leave options for caregivers and more information and resources for employees with adult or elder care responsibilities. Similarly, organizations that provide more

generous leave options for caregivers are more likely to provide caregiver-specific information and access to services.

Workplace programs and supports: Many employers allow at least some employees flexibility to manage their time

Many employers provide flexibility to at least some employees to manage their work schedules. Workplace flexibility options that are most commonly offered to at least some employees include: being able to change starting and quitting times within a range of hours (87%); being able to take time off during the work day to attend to important family or personal needs without loss of pay (81%); having control over when employees take their breaks (80%); and being able to work some hours at home or off site on an occasional basis (77%). While more than $\frac{3}{4}$ of employers surveyed provided some short term flexibility to selected employees, few provided that option as a long term, workforce-wide solution. Less than 15 percent of employers permit all or most employees flex time or flex place options such as being able to compress their work week or work from home on an occasional basis.

“We do our part to make it as easy for them as we can. That’s not just self-serving. There’s a payoff for us too.....it would be a huge loss for us if they had to leave because we could not accommodate them.” (Executive Director, non-profit sector, human services organization)

Four factors characterized workplaces that offered a larger number of flexible options to a greater proportion of employees: public sector workplaces and those in the broader public sector (e.g., hospitals and universities); whether an employer had been nominated for or received a “Best Employer” award in the last three years; workplaces that employed a majority of women, but were not female dominated (i.e., workplaces in which women comprised 51-74% of employees); and workplaces in which 51-74% of employees are permanent employees. Nearly half of surveyed employers (49%) said that flexibility was offered more often as a favour to individuals. The other half (51%) considered it to be a strategy for meeting organizational goals. This divide suggests that many employers are only beginning to appreciate the prevalence and significance of adult caregiving issues as a challenge to employee engagement, health, and productivity with bottom line costs for their organization.

Yet even when such workplace programs and supports are “officially” available, they are not perceived to be truly available to the employees they are meant to support. According to the 2007 General Social Survey, more than one third (38%) of those who reported having flexible options (such as a flexible schedule or the ability to telework) reported that they didn’t feel that they could use them without adversely affecting their careers.

Availability and length of leave options for caregiving vary

Half of employers surveyed reported that employees have access to more than three days paid (50%) or unpaid (64%) personal or family care leave that can be used to meet caregiving responsibilities. Some employers allow caregivers to use sick days (51%), personal days (30%), paid time off or banked time (27%) or short-term disability leave (11%) for caregiving. However, extended leave options for family/friend caregiving are rare compared to parental leaves, potentially resulting in greater reliance on paid sick days for caregiving reasons than is desirable.

Compassionate care leave with partial income replacement has been available for eligible employees in most Canadian jurisdictions since 2006 and is intended for use when a family member is gravely ill. The data reveal that extending or topping up compassionate care benefits is a practice that is offered by a small proportion of employers. Roughly 29% of employers allow employees more than eight weeks of unpaid compassionate care leave, 10% provide a top-up to EI compassionate care benefits, and 4% provide a period of fully paid compassionate care leave.

Several factors contributed to the generosity of leave provisions available to employed caregivers. Workplaces in the broader public sector (e.g., universities and hospitals), unionized organizations, those recognized as a “Best Employer”, and workplaces that have a majority of women employees (51-74%) are more likely to offer generous leave options.

“It’s not like child care”

In contrast to the small proportion of employers who provide additional compassionate care benefits, 60% of employers surveyed provide an extension to unpaid maternity leave (60%) or parental leave (45%) beyond the legislated mandate; and many top-up maternity leave (41%), parental leave (30%) or paternity leave (24%) benefits provided by Employment Insurance or the Quebec Parental Insurance Program.

The difficulty of providing extended leave over longer periods of time or for an uncertain duration is problematic for managers, primarily because of the lack of paid leave options other than sick leave. As one manager declared, *“It’s not like child care”*; the approaches, resources and expectations do not just transfer over to the issues that characterize care to adults with long term health problems or disabilities.

Managers’ responses are often individualized, *“case by case”*, either in order to meet the employee’s particular needs or because of a lack of public or workplace policies to address their immediate requirements. Positive responses to employees are more common when employees are seen as dedicated and committed and take their work seriously, when needs are specific and defined, and when there is effective communication between the manager and the employee.

Few employers provide targeted information or resources beyond Employee Assistance Programs

Relatively few surveyed employers provide information or access to specialized services that could benefit employees with adult care responsibilities beyond what might be available through Employee Assistance Programs. Examples of available supports include: stress management and Care for the Caregiver supports (EAP) (61%); caregiver information/referral (EAP) (59%), on-site lunch and learns (11%); caregiver networks, affinity groups (8%); and caregiver newsletter (7%). Provision of information and resources for employees with adult or eldercare responsibilities is more common among the largest employers (those with 1,000+ employees), and those that have been nominated for or received an award as a “Best Employer”.

Caregiving responsibilities is “new territory” for managers

More than half (58%) of surveyed employers believe that caregivers of seniors and chronically ill family members require additional policies and workplace practices. Several managers talked about the fact that accommodations for employees with caregiving responsibilities is “new territory”, an area in which they have had limited experience.

Overall, managers and supervisors want information and training on how to address the complex and often unpredictable needs of caregiving employees. They also want to learn about best and emerging practices, policies and resources, including information about resources in their own community, in other communities, and in other provinces.

Despite the organizational challenges adult and elder care present, most managers are sympathetic. They recognize the value of providing support to dedicated employees, including the retention and engagement of those workers over time and the strengthening of co-worker relationships.

“Other employees have seen that, you know, we’re an organization that’s willing to provide flexibility for people who are having a difficult time...and we have really good employee retention.” (Owner, private sector, management and training organization)

“We run a business, but at the same time we are able to be human...People here do not complain because they feel that there is a fair and respectful treatment of situations...you need as far as possible to be flexible.” (Chief sector HR, public sector, transportation organization)

“I think the fact that the organization was able to support her through this difficult time was really a key driver for continued engagement...It’s a minimal investment when you think about it.” (Human Resources Manager, private sector, finance/insurance organization)

Employers report that their organization supports employees with caregiving responsibilities in order to retain valuable employees (80%), promote employees' health and wellness (71%), and increase employee engagement or commitment (62%). One in seven employers (15%) noted that offering flexibility and work-life supports is an aid to recruiting employees to their organization. So it is clear that employers are motivated by a combination of business reasons, as well as the desire to help employees with care responsibilities.

Effective workplace practices is only part of the solution

Most managers recognize that the need for informed public policies, effective workplace practices, and responsive community supports will only increase over time as more employees juggle work and care responsibilities. Some costs that employers experience are avoidable, and many workplace supports have little or no cost attached, such as offering flexibility, information and referral, and letting employees set up caregiver support groups during lunch hours. Employers, especially small business employers, want some recognition for the contributions they are making to support employees with care responsibilities.

While employers need to be involved in the solution, they cannot do it alone. Services from the public or non-profit sector can help off-set the stresses of supporting someone with a long term health problem or disability. Almost half of employers (48%) surveyed are concerned about the adequacy of community services such as home care and supports for caregivers, and the ability of community services to meet the needs of an aging population (57%). Almost half (48%) of caregivers of community-dwelling adults with high care needs lacked the assistance they needed. Even more (72%) said they lacked the supports they needed to continue caring in the future.

Absenteeism, tardiness and employee turnover represent an enormous loss of productivity to employers and to the economy in general, especially given predictions of future skilled labour shortages. Care-related employment consequences undoubtedly affect the economic security of caregivers, yet they also have important implications for other stakeholders, including lost tax revenues arising from lost wages for governments. A multi-pronged approach to address the needs of an increasing proportion of the workforce with care responsibilities is encouraged that includes informed public policies, effective workplace practices, and responsive community supports.

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