



## **Curtailing the Cost of Caring for Employers and Employees: What Every CEO Should Know**

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**By Meredith Lilly, PhD**

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## About VON

VON is dedicated to being a leader in the delivery of innovative, comprehensive health and social services and to influencing the development of health and social policy in Canada. We are a national health organization and registered charity offering a wide range of community health care solutions that meet the needs of Canadians from coast to coast. VON is committed to continuous quality improvement and is accredited by Accreditation Canada.

## Our Vision

Health Starts at Home

VON will be Canada's leading charitable organization addressing community health and social needs.

## Our Mission

VON, a charity guided by the principles of primary health care, works in partnership with Canadians for a healthier society through:

1. Leadership in community-based care
2. Delivery of innovative, comprehensive health and social services
3. Influence in the development of health and social policies

## INTRODUCTION

**AT ANY GIVEN TIME, ONE-QUARTER OF CANADIANS OVER THE AGE OF 45 ARE PROVIDING CARE** to a family member or close friend with a long-term illness at home<sup>[1]</sup>. It is essential that employers find ways to support these caregiving employees:

“Whether the economic climate is good or bad, it does not change the fact that we have a rapidly aging population and that caring responsibilities are going to grow.”

- Caroline Waters, Director of People and Policy, BT Group, 2009 <sup>[2]</sup>

One estimate values the annual contributions of caregivers in Canada at \$25 billion<sup>[3]</sup>. This figure is expected to increase dramatically in response to population aging. Most caregivers are employed and are between 45 and 65 – their peak earning years. It is estimated that 72% of caregiving women and 83% of caregiving men in this age group are also in Canada’s labour force <sup>[4]</sup>. While research to estimate the costs of caregiving on business is underway in Canada, a US study estimates that American businesses incur \$33 billion in annual productivity losses <sup>[5]</sup>. Managing the demands of a job and caregiving can be challenging and costly to businesses.

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## A PROFILE OF CAREGIVERS



Caregivers provide a range of hands-on care to family members due to disability, chronic health condition, or aging. Caregiving situations can include moving your mother into your home after a stroke and providing assistance with dress, grooming, and eating; helping your frail father with his medication after finding out that his delirium was due to a drug reaction; arranging services, booking appointments, and driving your 32 year old sister to appointments after a recent MS diagnosis; or organizing your neighbours to visit, help out with cleaning, and prepare meals for a 72 year single neighbour who is dying after a long battle with cancer.

There are many reasons for employers to support their caregiving employees. Business school professors, Duxbury and Higgins, have found that employers who support employees' need for work-life balance have higher rates of employee retention. According to them, being an 'employer of choice' is an important way to retain the best workers in a "shrinking labour pool" of skilled and educated workers<sup>[6]</sup>. Offering flexible work arrangements, good working conditions, and encouraging work-life balance have become standard expectations for the new knowledge worker, and the means to realizing global competitiveness in the workplace <sup>[7, 8, 9]</sup>.

There is a strong reason for employers to get on-board now with helping their employees to balance their paid work with their unpaid caregiving responsibilities. In just a few years, employers will have no other choice. Demographic change will mean that more employees than ever before will have caregiving responsibilities. Balancing caregiving with employment will be as common tomorrow as working mothers of young children are today <sup>[6]</sup>. Governments around the world are beginning to recognize this trend and are making changes to their employment legislation to protect caregivers in the workplace.

Canada offers six-weeks of Compassionate Care Benefits, job protection and income replacement via Employment Insurance for those who leave work to care for a dying relative. Senator Sharon Carstairs has recommended extending the job protection period to 13 weeks<sup>[1]</sup>, and others have suggested even longer periods<sup>[10]</sup>. In the UK, the right to request flexible work arrangements is now legislated for caregivers as well as for parents of young children. Australian employees are entitled to ten days of paid personal leave every year to care for sick family members <sup>[11]</sup>. Even the US is considering flexible work options via the Working Families Flexibility Act <sup>[12]</sup>. Canadian employers who take leadership roles now to support their caregiving employees will be in a position of competitive advantage when similar legislation arrives in Canada.

Outlined on the next few pages are ways employers are already supporting caregivers in the workplace in Europe, the US, and Canada. We also highlight options for how Canadian employers might get started in creating caregiver-friendly workplaces.

### WHAT ARE BUSINESSES AND OTHER COUNTRIES DOING TO SUPPORT CAREGIVERS?

Today, one in every four workers is a caregiver, and by 2030 we expect this proportion to become much higher due to population aging<sup>[13, 14]</sup>. This surge in the need for family caregiving will coincide with massive retirement by the baby boomer generation. Maintaining a talented, productive and viable workforce will be a critical challenge for employers and governments alike. One way we can plan for the effects of demographic change on the Canadian workforce is to examine European economies that are already experiencing it <sup>[14-16]</sup>.

These economies are using a variety of strategies to encourage as many people as possible to join the labour force, and remain working for as long as possible. Strategies include:

- eliminating mandatory retirement legislation;
- increasing flexible work options;
- and luring underemployed individuals back to the workforce through childcare and eldercare subsidies <sup>[13, 15, 17, 18, 19]</sup>.

Several of these countries, including Belgium, France, Germany and the Netherlands, offer all employees the right to flexible work arrangements, while others such as the UK and New Zealand extend these rights only to caregivers and parents of young children <sup>[17]</sup>.

Evaluations of these programs in the UK reveal that the majority of employers have found flexible work policies to have either a positive or neutral impact on workplace productivity. Many also report a positive impact on the bottom line, citing reduced turnover and large cost savings from avoiding high recruitment and employee replacement. In addition, managerial fears expressed before implementation of the legislation were largely unfounded. These were related to unmanageable requests for flexible work arrangements, increased costs to the company to accommodate requests, and increased litigation from employees whose requests were denied <sup>[17]</sup>.

**“Without protection and support, informal caregiving may represent a significant leakage of skills and talent from the labour market – a labour pool that is projected to decrease in the coming decades.”**

– Ontario Ministry of Health and Long-Term Care 2009<sup>[21]</sup>

#### WHAT IMPACT DOES CAREGIVING HAVE ON EMPLOYERS?

In Canada, research on caregivers in the workplace has focused on the employee. We need to better understand the challenges and costs for Canadian employers also. Evidence from the US and Europe suggests that employer losses related to caregiving include costs related to lost productivity, absenteeism, and high turnover <sup>[8, 22]</sup>.

- **Cost to Businesses:** Metlife estimates that American employers experience \$33 billion in annual productivity losses by 23 million full-time employees who are also caregivers. Half (\$17 billion) is attributable to the seven million employees with intense caregiving responsibilities <sup>[5]</sup>.
- **Lost Productivity:** Working caregivers in Canada report higher stress, increased absences and lateness as a result of their care work<sup>[23]</sup>. Other researchers have reported that caregivers may be less able to work overtime, travel for work, or take advantage of career-advancing opportunities such as professional development. They experienced more interruptions at work, lower productivity, and were frequently late or absent <sup>[24, 25]</sup>.
- **Costs for Recruitment and Retention:** Some caregivers reduce their hours of work in order to accommodate their caregiving responsibilities. Research shows that the more time an individual spends caregiving, the less time he or she spends in the labour force. <sup>[22]</sup>

For both the employer and employee, being forced to quit a job in order to provide care is a most undesirable outcome. Employers lose the knowledge, skills and experience that the employee has developed over time, especially if the caregiver's decision to quit is sudden <sup>[24]</sup>. The employer will also likely need to replace the departed worker. It is estimated that US business spends \$2.8 billion every year to replace employees who leave their jobs to care<sup>[5]</sup>. According to a UK study, it may cost the equivalent of three-month's salary to replace a low-skilled worker, and more than a year's salary to replace a professional, who quits their job in order to care<sup>[17]</sup>.

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#### PROFILE OF A GLOBAL FIRM'S EXPERIENCE SUPPORTING CAREGIVERS

British Telecommunications (BT) employs 160,000 employees in 61 countries; 81% work flexibly and 18,000 work exclusively from home. BT attributes its 20% increased production and annual savings of \$375 million (Cdn) to embracing flexible work accommodations for caregivers and others <sup>[12]</sup>. According to Caroline Waters, Director of People and Policy for BT, “Supporting our carers isn't difficult, disruptive or expensive; it's plain business sense – a small change in working hours or flexible arrangements can make all the difference both to your carer and to your business.” BT now chairs Employers for Carers, a cooperation of UK employers and government devoted to helping other employers support caregivers in the workplace.<sup>[20]</sup>

## \$2.8 billion

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An often-overlooked group of caregiving employees are those who take early retirement in order to care for loved ones. We currently lack information about the extent to which Canadians are retiring to care, but a 2002 study from the US suggests that it is a significant concern <sup>[26]</sup>. In these cases, all of the losses incurred by various parties listed above remain in place; only now, pension issues also come into play. Employers that offer pensions may be paying out earlier than anticipated.

- **Use of Workplace Benefits:** Caregivers in general are more likely than non-caregivers <sup>[27]</sup> to experience declined personal health, higher levels of stress and burnout, and higher levels of depression. The health condition of the person they are caring for can also impact their health. Thirty-seven percent of individuals caring for someone with Alzheimer's disease experience high levels of caregiver strain <sup>[28]</sup>. Workers in poor health have lower productivity, higher absenteeism, and are more likely to take long periods of leave resulting from illness. Although the burden of these costs is generally shouldered by individuals and governments in Canada, higher health services utilization by caregiving employees also has implications for employer-sponsored benefit packages and the payout for prescription drugs, extended health benefits, and long-term disability <sup>[27]</sup>.

### HOW DOES CAREGIVING IMPACT THE EMPLOYEE?

- **Cost to Caregiving Employees:** A 1999 US study estimated that, aggregated over their lifetimes, people caring for a chronically or terminally ill family member experience more than \$1 million each in losses <sup>[29]</sup>. Reduced work hours, quitting, or retiring early to accommodate care can have long-term impacts on overall financial well-being, career progress, and pensionable earnings <sup>[22,30]</sup>.
- **Managing Work-life Balance:** To compensate for productivity losses at work, many workers with care responsibilities are likely to take work home with them in the evenings <sup>[6]</sup>. Long-distance caregivers (typically adult children of elderly parents) live and work far away from the people they care for, and face unique job-related consequences. While they are less likely to face day-to-day job challenges of balancing work and care, they may be more likely to take several days off in a row in order to travel to provide care <sup>[6,21]</sup>.

### HOW CAN WE KEEP WORKPLACES PRODUCTIVE WHILE SUPPORTING CAREGIVING EMPLOYEES?

**“Working smarter and more flexibly is essential during difficult times. It makes business sense to keep skilled and experienced employees and avoid the costs of recruitment and retraining later.”**

- Caroline Waters, Director of People and Policy, BT Group, 2009

Supporting caregivers in the workplace can be an important way for employers to recruit and retain the best employees. While most caregiving employees in Canada provide less than ten hours per week of care to relatives, it is caregivers who provide more than 10 hours who are more vulnerable to labour force withdrawal and negative work-related consequences. It is recommended that all caregiving employees be offered workplace supports that can help them to remain active and productive in the labour force. Additional assistance from government and the home care system is recommended for caregiving employees with heavy caregiving responsibilities <sup>[4]</sup>.

Below are five employer-led initiatives that have been successful, including examples of Canadian employers that have been recognized for their leadership in the workplace:

- 1. Ensure flexible work arrangements:** The option to work flexibly is the most recommended way to support caregiving employees <sup>[8, 23]</sup>. This includes working flexible schedules, compressed work weeks, working part-time or fewer hours, and tele-working from home. In Canada, The Home Depot and TELUS Corporation are on the list of Canada's Top 100 Employers for 2011 in part for their flexible work arrangement options <sup>[31]</sup>.
- 2. Expand options for leave:** Caregivers sometimes take several days to several weeks off work to assist their loved ones. While many provincial labour codes now provide 5-10 days of unpaid leave to cover these types of absences, further expansion is being considered at the federal level<sup>[1]</sup>. By expanding options for both paid and unpaid leave, employers can support their employees in times of crisis and help reduce the risk that caregivers will leave their jobs altogether. KPMG was recognized as one of Canada's Top 100 Employers in 2011 for offering up to 80 hours of emergency dependent care each year, which includes spousal and elder care <sup>[31]</sup>.
- 3. Enhance income and job protection:** Under the Compassionate Care Benefit Program operated through Employment Insurance, Canadians caring for a dying relative are currently eligible for six weeks of job protection and income replacement <sup>[10, 13]</sup>. Employers can support their employees by raising awareness about the Compassionate Care Benefit program, encouraging employees to access it, and even combining the program with their own expanded options for leave. For example, Bayer was listed among Canada's Top 100 employers in 2011 in part for topping up to 100% the salaries of those on compassionate leave for a period of eight weeks <sup>[31]</sup>.
- 4. Recognize their efforts:** Caregivers have consistently communicated that they feel their caregiving contributions are ignored by society<sup>[32]</sup>. They have indicated that simple forms of recognition would help them feel more satisfied about their caregiving work and less abandoned<sup>[21]</sup>. Caregiving employees who feel recognized, acknowledged and supported by their employers report high satisfaction levels <sup>[23]</sup>. VON Canada uses its Katherine Pearson Caregiver Award to recognize an employee or volunteer who is balancing work and caregiving responsibilities, acting as an example for others.
- 5. Offer dependent care information and referral programs:** Some employers have introduced Internet sites to assist caregiving employees to locate caregiving support services and information. The development of basic internal sites with links to external sources of information and support may be beneficial; it also sends employees the message that their employer cares. There is already a vast array of accurate and timely information available to support caregivers, and employers may consider simply linking caregivers to such resources. Two excellent examples are the CareRing Voice tele-learning support network available to caregivers in a number of provinces, and the VON's Caregiver Connect website which is available to all Canadians<sup>[34, 35]</sup>.

Larger companies may also offer dependent care referral programs that link employees to organizations that may be able to assist them with accessing professional caregiving assistance. In rare instances, companies may offer direct

## \$33 billion

Estimated losses that American employers experience in annual productivity by 23 million full-time employees who are also caregivers.

payment or subsidies for their employees to use these services, especially if employees are required to work late <sup>[33]</sup>. In Canada, KPMG and Ernst and Young (both on Canada's Top 100 list for 2011) have offered employees emergency eldercare services<sup>[31]</sup>.

Finally, caregivers are not all the same. They differ in the amount and types of care they offer, the kinds of jobs they have, how many hours they devote to the labour force, and how they combine these activities with each other <sup>[21, 22]</sup>. It is important to recognize that flexibility and multiple options are key: what works for one caregiving employee may not work for another. This means that several strategies are probably better than one, and presenting caregivers with a variety of options will allow them to select those that most closely meet their specific needs.

## CONCLUSION

We have presented a comprehensive vision for how employers can better support caregivers in Canadian workplaces. Employers can realize potential cost savings through retaining these valuable workers, who often embody the type of work ethic that every CEO wants to encourage. This will be a long-term process that requires the commitment and cooperation of many stakeholders, not just employers and employees.

**“I firmly believe we need to better acknowledge the costs to caregivers and businesses as well as the contributions caregivers make to the Canadian economy, society, and health care system. The private and non-profit sectors along with governments have to work together to move towards more caregiver-friendly policies.”**

- Judith Shamian, President and CEO, VON Canada

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