Healthy Outcomes

How employers' support for employees with caregiving responsibilities can benefit the organization

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Managing the Future of Work

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The centrality and demographics of care

America's long-simmering caregiving crisis has become the focus of active debate in the post-COVID-19 era. Many employees today face the difficult trade-off of balancing the responsibilities of work and caring for a loved one. Such conflicting obligations affect more employees than one might think—three out of four U.S. workers have caregiving roles—and the vast majority indicate that family needs undermine their productivity at work.[1]

The growing demands on caregivers have ominous implications for companies, negatively affecting their day-to-day productivity and imposing significant financial costs on employers. Companies also stress the difficulty of finding and retaining qualified talent, due in part to the impact of barriers to workforce participation raised by caregiving responsibilities.

Yet companies have historically ignored this caregiving crisis.

Why caring matters

Now, fueled in large part by the COVID-19 pandemic, the focus on caregiving challenges is nearly universal in the workplace. The discussion about balancing care responsibilities and professional obligations moved to the foreground when emboldened employees spoke up about the difficulties they faced during the pandemic; employers, in turn, recognized how supporting employees across the spectrum of caregiving requirements would also help attract and retain the talent they need while strengthening the diverse workforce they sought.

Our 2019 report, *The Caring Company,* foresaw a "pivot point"—a time when employers would identify the economic impact of their employees' caregiving responsibilities and begin to address it systematically. That pivot point arrived sooner than we predicted, however, as a result of the coronavirus pandemic, which laid bare the gaps in the care infrastructure, both in the United States and around the world. As a result, employers gained new insights into the tensions affecting caregivers in their workforces. They saw firsthand how an increasingly complicated healthcare system, shortages of professional care workers, the rapid reduction in daycare providers, and skyrocketing costs forced employees to make difficult choices—from quitting jobs in order to take care of loved ones, to missing work more frequently to watch children, to taking on gig work to make ends meet. In subsequent years, those challenges have only grown, as inflation, recession fears, and an uneven recovery continue to place strains on employees and employers alike.

Those factors combine to increase the pressure on women, especially, to balance the demands of career and family, causing many either to change jobs or stop working outside the home altogether.

The demographics of care

The evolving composition of American families and the demographics of the United States have only intensified the increase in employees' caregiving responsibilities. The Census Bureau reports that, in the 2030s—for the first time in the United States—the number of people 65 years and older will outnumber those under the age of 18.[2] That points to the growing "sandwich generation" of American adults—those simultaneously caring for and supporting financially both children and parents or other seniors.[3] Additionally, a study from the University of Michigan found that "sandwiched" caregivers have higher labor force participation than "non-sandwiched" caregivers, implying that they experience greater economic pressure.[4]

Also playing a role in the increasing burden on caregivers is the growth of single-parent households. In 1960, only 9% of children lived in single-parent households. By 2021, 34% were living with a single parent.[5] One inequality specifically exacerbated by the pandemic is the disproportionate burden that women face as caregivers, since almost 80% of single-parent families are headed by women.[6]

Advocates for workplace equality have long raised the issue that working women often return home to a "second shift" of unpaid household labor.[7] As schools closed and daycare facilities shut down during the pandemic, this "second shift" fell mostly on working women.[8] That likely contributed to the reduction in employment of women during the pandemic, a decrease that was almost 35% higher than for men.[9] According to the Centers for Disease Control and Prevention (CDC), one in four women (25.4%) are caregivers, compared to one in five men (18.9%).[10]

Ironically, women constitute a growing share of the population who have the qualifications employers increasingly seek. Almost 60% of college enrollees are women.[11] Those numbers are mirrored in the number of female students in master's and PhD programs.[12] Perhaps more importantly, women consistently outperform men in the domain of social skills—those skills related to effective human interaction—which are increasingly critical to success in an age of automation and artificial intelligence.[13] As various technologies penetrate more positions, the uniquely human skills required to interact with others effectively will become a greater proportion of the content of work ipso facto. Companies will need workers with those skills and the educational attainment to help them master a changing set of workplace technologies. Today's workforce demographics strongly suggests a majority of this cohort of workers will be female.[14]

A failure to respond to its employees' caregiving needs also undermines a company's efforts to improve its performance on diversity, equity, and inclusion. In most organizations, diverse workers in lower-wage positions are over-represented by people of color, those with lower levels of education and income, and younger caregivers. These workers constitute a ready pool of talent available to build diversity in the higher echelons of their employers, yet those same workers tend to be disproportionately affected by caregiving obligations.[15]

America's "talent future" is inarguably more female and more racially diverse. If employers wish to attract and retain talent, their business practices must consider the needs of an estimated 56% of the nation's workforce with caregiving responsibilities.[16]

A conversation about care

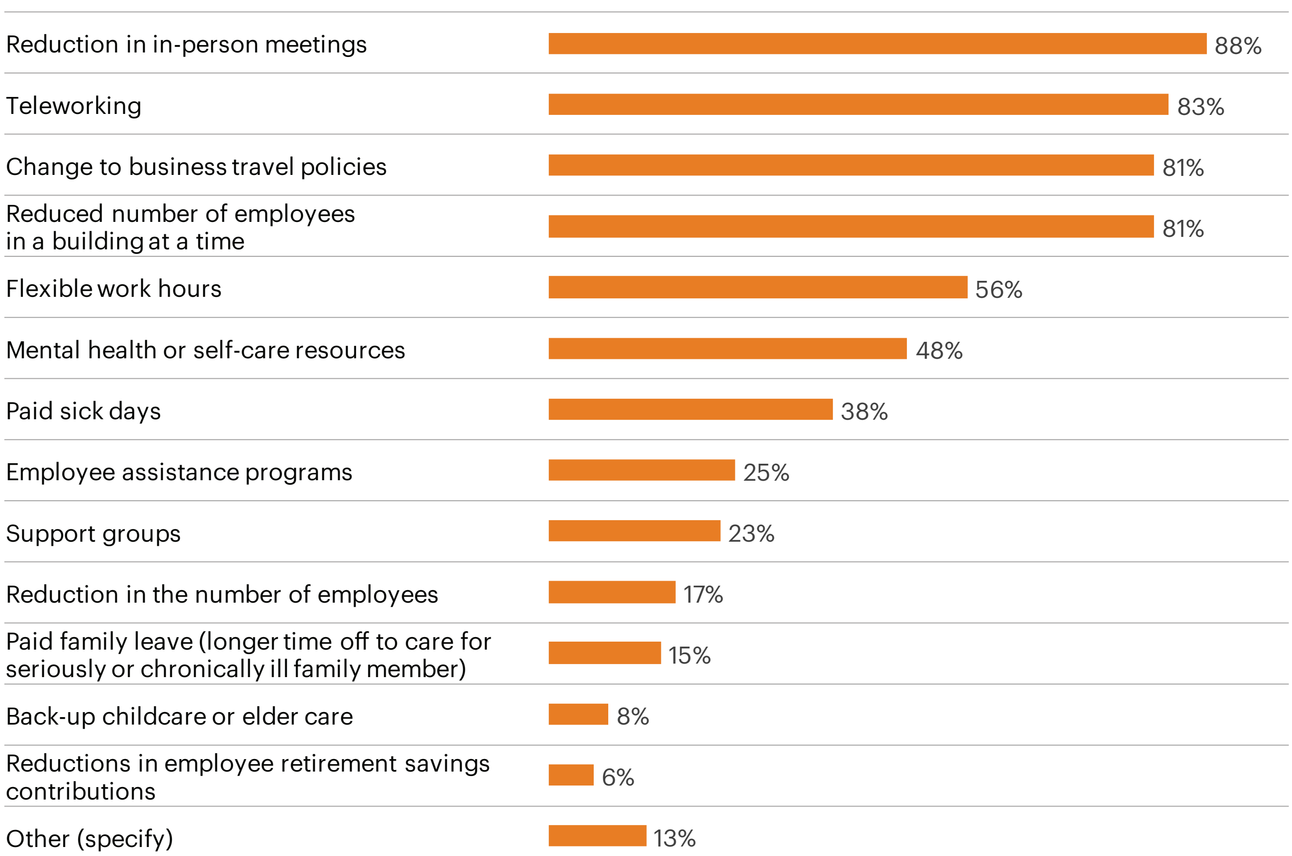
Historically, caregivers labored in silence. Most viewed their caregiver status as being separate from their status as employees and were reluctant to raise awareness about how their caregiving obligations clashed with their work commitments. Many employees felt a sense of apprehension over such conflicts or worried that such an admission might affect their standing in the eyes of colleagues.[17]

COVID-19 changed everything. Employees are speaking up about care responsibilities, making their status as caregivers more known to employers. Americans, in particular, are increasingly self-identifying their daily activities as acts of caregiving.[18] *Time* magazine reports that caregiver is the “newest workplace identity” and suggests that the pandemic made it easier for employees to talk about different types of care responsibilities at work, moving beyond the time-honored and often superficial conversations around childcare.[19]

In fact, a recent report from AARP found that the unpaid work provided by family caregivers is valued at an estimated $600 billion, a staggering $130 billion increase since before the pandemic in 2019.[20,21] The hidden economic value of family caregiving has gone up over the last 25 years, with more and more employees carrying additional family-care burdens that impact their ability to work. As of 2023, 61% of family caregivers work full or part time, essentially working multiple jobs—one outside the home and one within it.

Increasingly now, the demand for care support is on the rise. About 53% of caregivers indicate that their supervisors are aware of their role as caregivers, although older caregivers tend to be more vocal about their caregiving responsibilities.[22] As more workers are unabashedly self-identifying as caregivers and embracing this identity at work, the number of known caregivers in the workplace is rapidly increasing. How-

Figure 1: **Practices implemented due to COVID-19**



Source: S&P Global/AARP survey of companies, 53 U.S. companies in the S&P 1200 Index.

ever, it is rare that supervisors have the authority to make policies or to grant exceptions to company procedures in response to the needs of individual employees. Any plausible response to employees' caregiving needs requires an organization as a whole to take on the challenge as a strategic priority.

A simple first step is for a company to understand its organization's care profile. According to *The Caring Company* survey, 52% of firms did not keep track of their organization's care demographics as recently as 2019.[23] COVID-19 forced employers to grant, inadvertently, some of the benefits that caregiving employees needed. S&P Global, in partnership with AARP, conducted a survey of employers and found that 62% of companies increased the benefits and resources they offer since the pandemic began.[24] Most companies implemented flexible and predictable work hours, fewer in-person meetings, less business travel, and the ability to work from home (see Figure 1). Such accommodations provided caretakers with the flexibility to perform their caretaking obligations while remaining productive at work on an ongoing basis.

However, it is unclear as to whether the expansions of benefits will persist in a post-pandemic world. Such policies weren't implemented to address the ongoing needs of caregivers, but rather as exigencies in response to an unprecedented crisis. For example, only 50% of employers plan to continue offering backup childcare or elder care, and only 44% plan to continue to offer paid sick days (see Figure 2).[25]

Another challenge to continuing these policies is that some caregivers—particularly low-wage earners—never received these benefits at all, due to jobs in industries that could not easily shift to work from home or other flexible arrangements. These workers, concentrated in leisure, hospitality, and retail industries, were much more likely to be displaced rather than retained by their companies and not offered flexible policies; low-wage earners comprised 43% of the workforce prior to the pandemic, and 52% of the displaced.[26] Low-wage workers were much less likely to report having access to remote-work availability than high-earning workers. In a survey by McKinsey & Company, 52% of respondents with less than $25,000 in annual income

Figure 2: **Permanence of COVID-19 practices**

	Temporary	Permanent	Not sure
Mental health or self-care resources (n=23)	4.3%	95.7%	
Support groups (n=11)		90.9%	9.1%
Employee assistance programs (n=12)	8.3%	83.3%	8.3%
Flexible work hours (n=27)	11.0%	59.3%	29.6%
Reductions in the number of employees (n=8)	25.0%	50.0%	25.0%
Back-up childcare or elder care (n=4)	25.0%	50.0%	25.0%
Paid sick days (n=18)	50.0%	44.4%	5.6%
Paid family leave (longer time off to care for seriously or chronically ill family member (n=7)	28.6%	42.9%	1.0%
Teleworking (n=40)	28.0%	38.0%	35.0%
Reductions in in-person meetings (n=42)	45.2%	19.0%	35.7%
Change to business travel policies (n=39)	69.2%	7.7%	23.2%

Source: S&P Global/AARP survey of companies, 53 U.S. companies in the S&P 1200 Index.

reported having a remote-work option, compared to 75% of respondents making over $150,000. In some cases, additional flexibility from work-from-home or COVID-19 policies only exacerbated the gap between low-wage earners and high-wage earners. For example, even pre-pandemic, there was a large disparity between access to paid family leave for the lowest-paid 10% of private industry workers (only 6%) and the highest-paid 10% (43%).[27] For some workers, the question is not about expansion of benefits in a post-pandemic world, but about beginning to receive them at all.

Employers would be well-served to revisit any decisions they've made to revert to their pre-pandemic stance on benefits related to caregiving. A significant decline in employee turnover rates may be lulling firms into a false sense that the worst has passed.[28] But the labor market remains tight, and a significant percentage of employees continue to indicate feeling stress at work.[29] Many expect their employers to adopt a new approach to managing their human assets that responds to their specific needs.[30] A firm's ability to meet those expectations will have important implications for its ability to attract and retain talent.[31]

Evaluating the economics of care

Make no mistake: Employees know what they want. Independent research has captured employees' desires for employers to take action on work-care benefits. A survey conducted by Willis Towers Watson found that 40% of employees want family-related assistance and perks, with preference for expanded family leave, bereavement leave or assistance, and additional maternity leave.[32]

Even for those employees who manage to balance their care responsibilities and their job, concerns about those they care for affect their day-to-day productivity. The emotional and physical burdens of taking care of a loved one detracts from focus, fueling the phenomenon of "presenteeism"—the act of being present at work but unable to function effectively. Of those with current caregiving responsibilities, four out of five employees acknowledged that caregiving affected their ability to perform their best at work: all the time (33%); most of the time (14%); and sometimes (36%). Only 18% suggested that caregiving never affected their performance.[33] In contrast, over a third of all business leaders surveyed (38%) believed that caregiving responsibilities had no impact on employee performance at their organization. An additional 38% were uncertain or professed not to know. Only 24% recognized that caregiving had a direct impact on their workers' performance. Younger employees were also substantially more likely to report that their caregiving responsibilities affected their productivity at work all of the time (see Figure 3).

Historically, employers have proven reluctant to offer caregiver benefits, given the dearth of evidence that they yield a substantial and unambiguous economic benefit. The impact of employer insouciance? Many caregivers are left to manage the trade-offs between fulfilling their family responsibilities and going to work. They battle falling into presenteeism with little acknowledgment or help from their employers. Increased investment in targeted benefits for caregivers offers the prospect of materially reducing turnover *and* bolstering productivity.

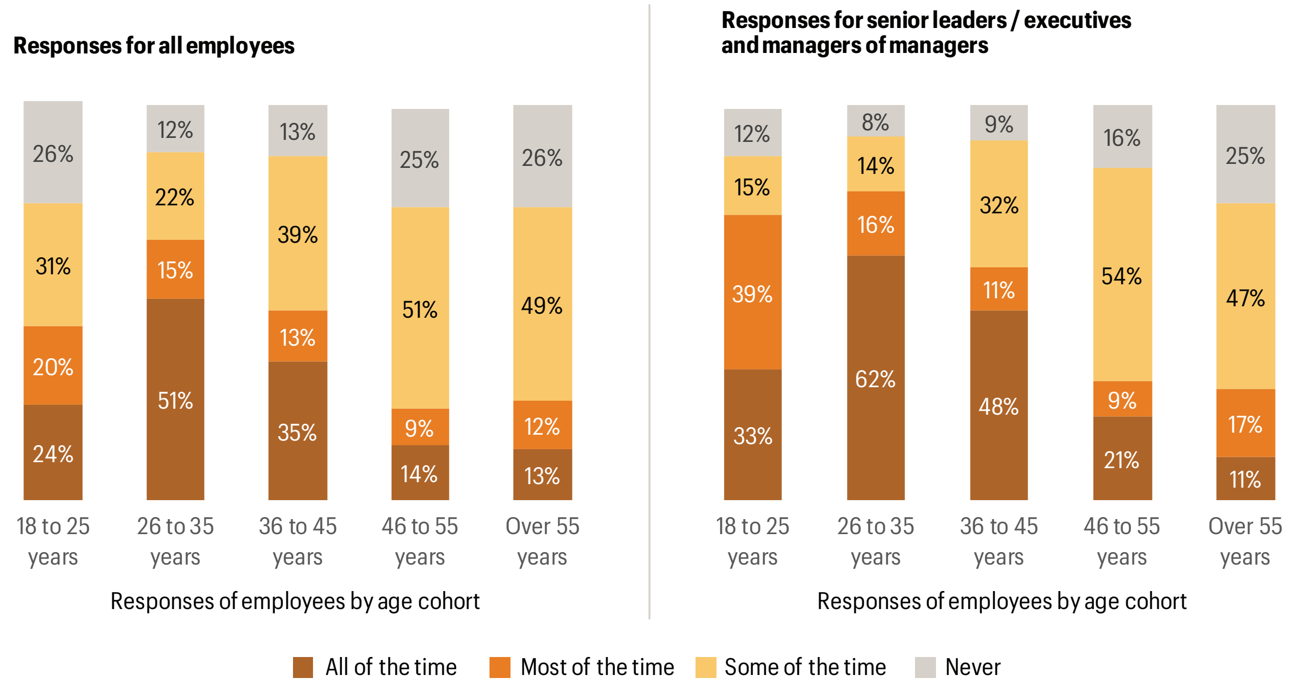
But employers may underestimate the costs of overlooking caregiver support. Employee turnover is deceptively expensive. Businesses in the U.S. incur more than $1 trillion in costs annually due to turnover costs.[34] The opportunity to reduce the total cost of employment for any individual firm by reducing voluntary turnover is significant. The costs of recruiting, training, and hiring new talent as well as the related productivity losses can cumulatively represent between one-half to two times the employee's annual compensation.[35] And that range excludes the softer hidden costs of turnover, such as the loss of cumulative organizational experience and the impact on the morale and productivity of co-workers.

One of an employers' top priorities should be the retention of talent through strategies that permanently reduce turnover. But that goal will be difficult if they remain ill-informed as to why employees leave voluntarily. Our previous analysis indicated that 32% of all employees have voluntarily left a job during their career due to caregiving responsibilities (see Figure 4). Perhaps more importantly, workers in the upper reaches of an organization—those with the highest incomes and titles—were the most likely to leave a company. Almost half of those employed in the top quartile of the workforce reported doing so at least once in their careers.[36] Many employers, however, remain oblivious as to why employees have chosen to quit. That is particularly true for lower-wage workers. Our *Building from the Bottom-Up* research paper found that only slightly more than 40% of employers regularly performed exit interviews asking why a frontline employee had resigned and to where they were headed.[37]

In order to evaluate the economic impact of investing in support for working caregivers, we sought a benefits provider whose services were explicitly targeted at caregivers. We chose Wellthy, a caregiver support ben-

Figure 3: **Caregiving's effect on productivity by age group**

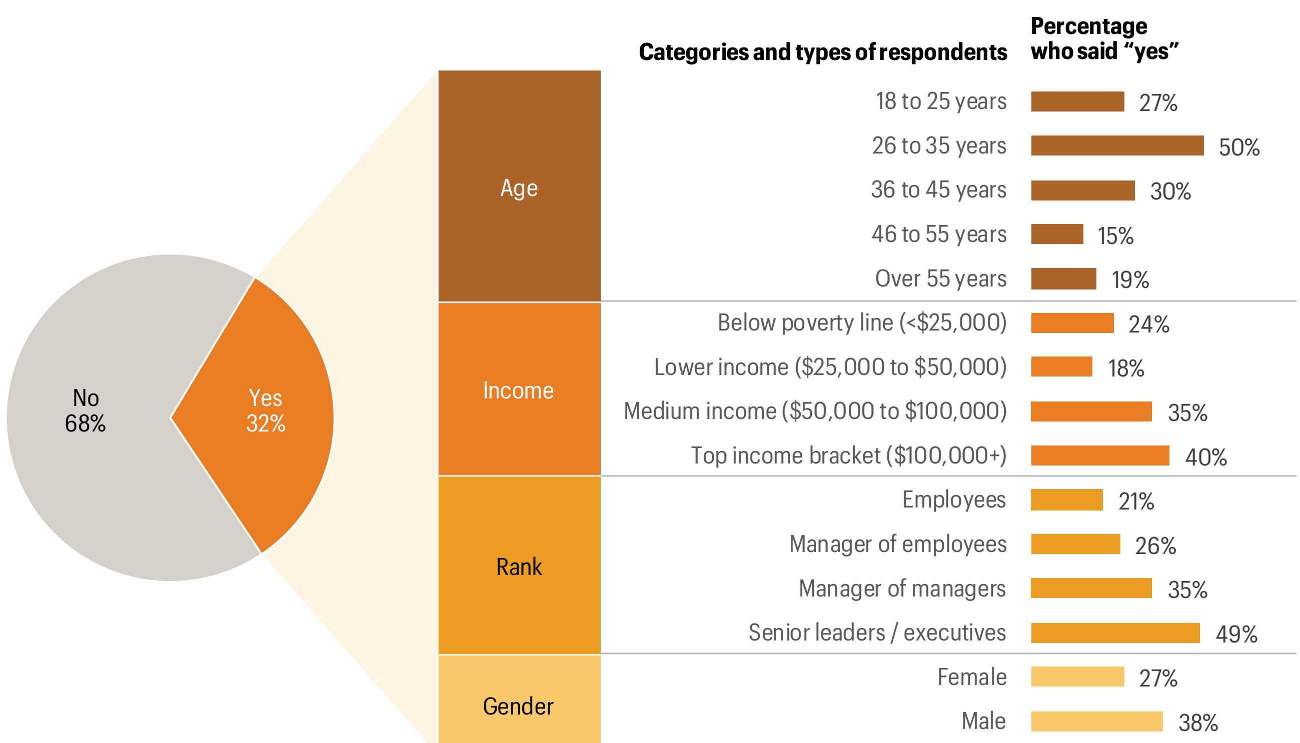
Employees were asked to what extent, if at all, caregiving affected their ability to perform their best at work



Source: "Survey of U.S. Employees on Caregiving." Project on Managing the Future of Work, Harvard Business School.

Figure 4: **Range of employees who left a job due to caregiving**

Employees were asked if they had ever left a job because of caregiving responsibilities



Source: "Survey of U.S. Employees on Caregiving." Project on Managing the Future of Work, Harvard Business School.

efits company that has partnered with 140 companies in the U.S., Canada, Ireland, and the U.K., to provide services to about 2 million employees.

Unlike classic Employee Assistant Programs, which provide beneficiaries with an explanation of the benefits available to them, Wellthy provides active case management of major care events, such as a serious medical diagnosis or event. They do so by matching individuals and families with a team of care coordinators and care advisers who take on the clerical and coordination tasks of caregiving. Wellthy services—care planning, care concierge, and access to a care community—are offered primarily through employer-provided benefits, although individual consumers can also subscribe.

In this report, we analyzed archival data on 97 of Wellthy's corporate clients. Our analysis spanned a 21-month period. Our goal was to understand the return on investment (ROI) by companies that offered caregiving support to their employees. The data include their *actual spending*—the amount companies spent on caregiver support services in a given time period, and *active members*, reflecting the unique employees who actually used the service during any given period. The data is segmented using variables such as the size of the company and the length of time they have been providing the caregiving benefits. For this analysis, member-reported data from Wellthy surveys was used to create parameters for estimating workplace-related outcomes, such as absenteeism and turnover. Additionally, this data set is supplemented with salary data from Comparably.com, Glassdoor.com, and Payscale.com to create estimates of workers' compensation.[38]

Sizing up turnover and absenteeism

Our hypothesis was that there would be a measurable economic return for employers who invest in caregiver support benefits, as suggested by our findings in *The Caring Company*.[39] That hypothesis was largely premised on the notion that the cost of replacing valuable, talented employees or having them miss work would inevitably exceed the costs of providing a care-supportive work environment.

Our analysis confirmed that there is a material ROI for employers who invest in caregiver support benefits.

To estimate the financial return to employers that offer these benefits, we sought to understand how this form of caregiver support affected the behavior and performance of employees who had actually used the service. We focused on two types of direct costs: turnover and absenteeism. We assigned no value to other benefits, such as improved employee morale or increased ability to attract new workers based on a superior benefits package.

For this analysis, **employee turnover** was defined as being relevant if an employee permanently left their workplace to focus more on caregiving responsibilities. **Reduced employee turnover** was, therefore, the degree to which offering caregiving benefits appeared to lower the likelihood of a given employee leaving their current place of employment. **Absenteeism** referred to employees missing a portion of a workday or being absent in order to attend to caregiving responsibilities. **Reduced absenteeism** consisted of two components. We estimated both the degree to which offering caregiving benefits lowered the likelihood of an employee missing work hours and how much the benefit reduced the number of hours of work missed during a quarter.

To make those parameters useful for an ROI analysis, they are transformed into dollar-cost estimates. To quantify the cost of reduced turnover for employers, we developed a **cost-to-replace parameter**, estimating the cost of replacing an employee as a percentage of average salary. Studies estimate the cost of replacing an employee to be anywhere from 33%[40] to 200%[41] of their salary. We calculated the cost of reduced turnover by estimating the number of people prevented from leaving their place of employment because they had access to caregiving benefits and multiplying that amount by the cost-to-replace parameter. For example, if caregiving support prevented five employees, making an average of $80,000, from leaving a client with a replacement cost of 50%, caregiving support would have generated savings of $200,000 for that company.

To estimate the cost of reduced absenteeism, average salary was used to determine the cost of lost productivity and, thus, the gains from increasing time at work. We assumed that the costs of absenteeism consisted of two elements: the costs related to the salary of the affected worker at an imputed hourly rate and some additional costs associated with the impact on co-worker's productivity when a team member is missing. Relying on scholarly research, we employed a wage multiplier of 1.28 times the employees hourly wage to account for impacts on co-workers' productivity.[42] To illustrate, if an employee at Company A makes $38 per hour and caregiving support increased the number of hours they were able to spend at work by 5 hours, the productivity savings would be $190.

However, to calculate the full economic impact on the company, that savings was multiplied using a coefficient of 1.28 to account for other systems effects. In such a scenario, the care benefit generated an economic benefit for their client of $243 by reducing absenteeism. Calculating the company-wide economic return required estimating the total number of employees whose attendance was affected to arrive at a cumulative value, which in turn could be contrasted to the cost of providing the caregiving benefit. The returns from reduced turnover and reduced absenteeism were presented in the form of a return-on-investment calculation.

We use real data from 97 Wellthy clients as the basis of a model in which we tested various combinations of these parameters (see table below for a summary) to see how the average return-on-investment metric varied. Actual spending reflected the cost to each client. We used the number of active members for each client to estimate the savings for these clients as a consequence of providing caregiving benefits. For simplicity, we present aggregated estimations of ROI produced by our model.

Simulated variables	**Variable values**
Reduction in employee turnover	1 pps, 3 pps, 5 pps, 7 pps
Cost to replace employees	33%, 50%, 100%, 150%
Reduction in absenteeism	10 pps, 30 pps, 50 pps
Increase in time spent at work per person per quarter	2.5 hours, 12.5 hours, 22.5 hours

Employee turnover: Many caregiver support benefits claim to provide an economic return to employers by improving employee retention. The economic impact on a firm from improving employee retention consists of the interaction of three values: the change in the rate of staff turnover among users of caregiving benefits[43], the cost of replacing those workers, and the cost to the employer of providing the caregiving benefit. The result is a straightforward and conservative sensitivity analysis.

For the first two values, customer self-reported data is used to estimate both the reduction in the churn rate and the cost to replace staff. For the cost of providing the caregiving benefit, we used the actual amount spent by each employer in each quarter. The cost varied by employer due to differences in contracts, such as the length of the contract, when it was signed, and the type of contract (see Appendix IV for more details). Some companies paid "per member per month" to cover all of their employees. Others preferred a "per utilization" contract in which they paid for each instance of an employee opening a Care Project. Employers spent about $36,000 on average in a quarter (see the table below for breakdowns by size).

Size	**Average actual amount spent**
15,001+	$112,978
5,001–15,000	$43,871
1,001–5,000	$14,868
1–1,000	$4,135
Average	$35,743

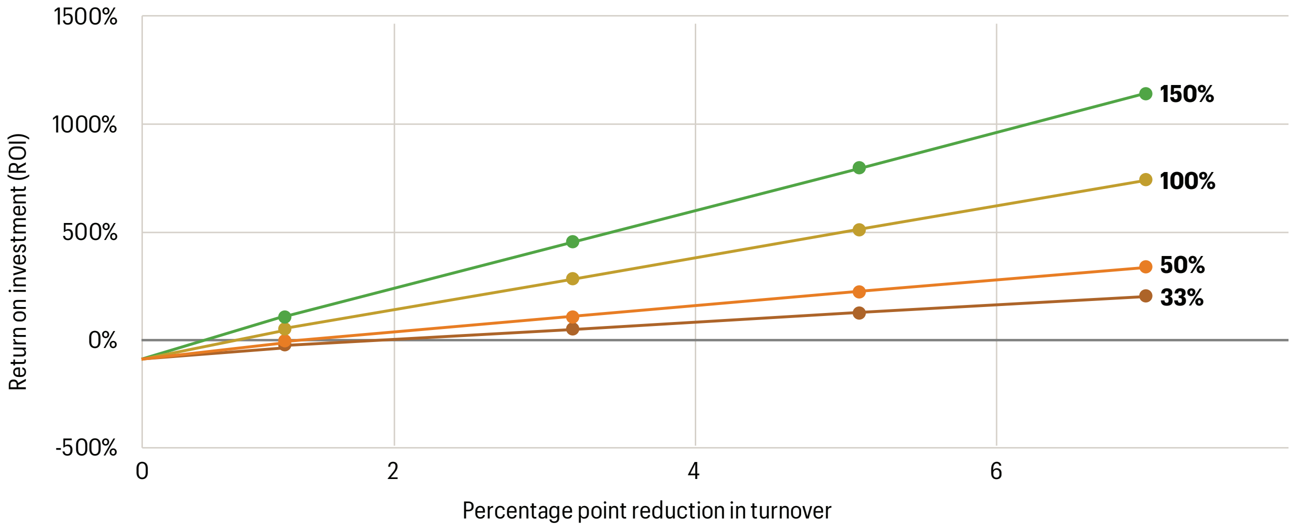
As described earlier, there were two other inputs to our model that captured the reduction in absenteeism and the increases in the amount of time at work by reducing absenteeism. In order to focus on the three inputs most related to turnover, other inputs were held at constant values. Specifically, we held these inputs at their middle values. Thus, the scenario for this sensitivity analysis assumed a reduction in absenteeism of 30 percentage points (pps), with a corresponding increase in time spent at work of 12.5 working hours.

With these components, we calculated ROI. Any ROI value above 0% indicated a return. To illustrate, we calculated that, if turnover is reduced by 3 percentage points and the average cost to replace those workers is 50% of their annual salary, the employer would generate an ROI of more than 100% (see Figure 5 on page 12).

In self-reported survey data from Wellthy users, around 30% of caregivers indicated that caregiving support prevented them from taking a leave of absence or leaving their job. As this is a compound question, we assumed that about half of the 30% were indicating that caregiving support prevented them from leaving their job. Further, many of these survey respondents were likely to be the most satisfied users and their experiences were not necessarily representative of a whole population. From this, we assumed that about 20% of the population of users experienced a reduction in turnover of about 15 percentage points, while the remaining 80% experienced a reduction in turnover of about 3.5 percentage points (see Appendix III for more details). Given these considerations, we estimated that companies that offer caregiving support are likely see an actual reduction in turnover of between 5 and 6 percentage points. This aligns with research suggesting that family-friendly benefits and policies reduce turnover intentions in employees by 9 to 15 percentage points[44,45] given that turnover *intentions* do not perfect-

Figure 5: **Impact of reduction in turnover on ROI by cost to replace**

Reduction in absenteeism held at 30 pps; Increase in time at work held at 12.5 hours per quarter



Source: Authors' calculations based on Wellthy user data.

Clients with a tenure of more than one year by Sept. 2022 and n=>10 respondents*	Percentage of survey respondents reporting that access to caregiving benefits helped prevent them from taking a leave of absence or resigning because of caregiving needs	Number of survey responses	Industry
Worldsphere	45.83%	72	Media & Entertainment
SciDev	44.44%	144	Manufacturing
Stone Banker	41.18%	17	Technology
Safe Guardian	40.00%	40	Insurance
Electra Quest	38.24%	34	Retail
Globewave	36.36%	11	Media & Entertainment
TechCo	35.71%	112	Technology
Worksage	35.71%	28	Finance
ConnectCo	33.80%	71	Technology
SoftwareCo	33.33%	12	Technology
FinServe	32.34%	167	Finance
Customer Link	31.63%	98	Technology
Procloud	31.11%	45	Technology
Coastal Friends Bank	30.23%	43	Finance
Financial Hub	29.55%	88	Finance
Devisix	28.36%	67	Manufacturing
FinTech	27.78%	18	Technology
Optimization Solutions	26.67%	15	Technology
TerraSentry	25.64%	39	Manufacturing
Procloud	23.42%	111	Technology
MissionSure	21.05%	19	Insurance
Nexinsure	20.00%	40	Insurance
BeyondClick	18.63%	102	Technology
Omni Industries	17.65%	17	Manufacturing
Main Tech	15.56%	45	Technology
Corpsocial	9.09%	11	Technology
Averages	**29.74%**	**56.38**	

*Note: Client names are pseudonyms.

ly correlate to actual turnover.[46] When the average cost to replace those workers was 50%, ROI was estimated to be roughly between 225% and 340%, with higher returns as cost to replace increases.

As shown in Figure 5, when the cost to replace is 33% of the average employee salary, every percentage point drop in employee turnover generates an additional 37.9 percentage points in ROI. That return skyrockets for more expensive workers, for whom the cost to replace can reach or exceed 100% of the average employee salary. Each incremental reduction of a single percentage point in turnover for workers in that segment increases ROI by 115 percentage points.

Another way to portray the value of a caregiving benefit is to calculate the breakeven rate—how much the rate of turnover would have to fall for an employer to recoup the cost to provide caregiving support. Our analysis shows that, when cost to replace falls at the low end of the range (i.e., 33% of average employee salary), the breakeven point is a reduction in employee turnover of 1.67 percentage points. When cost to replace is high (i.e., 150% of average employee salary), a reduction in turnover of just 0.37 percentage points yields a breakeven for the employer.

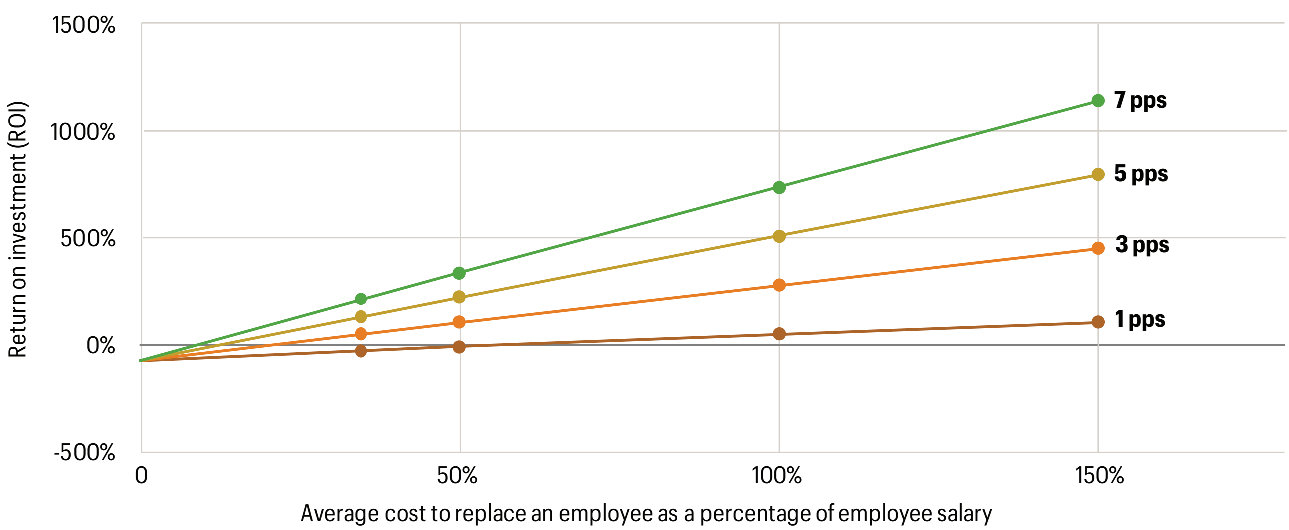
To frame the economics of providing a caregiving benefit differently, we did sensitivity analyses inverting the relationship of cost to replace and turnover (see Figure 6). When turnover reduction is low (i.e., 1 percentage point), the average cost to replace would need to be at least 55% of the average employee salary for an employer to break even. At a 5-percentage-point reduction in turnover, we calculate that the cost to replace can be as low as 11%, and an employer will still breakeven.

This reveals two pathways by which caregiver support benefits can drive economic value for employers. When employers are able to retain caregiver employees who have a higher replacement cost, such as executives, the savings are substantial. While the direct benefits associated with retaining a single lower-wage worker are less impressive, reducing the rate of turnover can generate equally attractive returns given the large number of frontline workers and their higher average rates of turnover. These pathways are complementary. A universal program that is effectively communicated to a workforce can pay for itself by reducing the turnover rate throughout the company. And those returns are achieved without ascribing any value to other harder-to-measure benefits, such as improvements in morale and employee engagement.

Absenteeism: Caregiver support benefits also claim to provide an economic return to employers by reducing the number of employees who end up missing work and reducing the amount of work that they miss. To estimate economic return, we assessed the economic benefits available through reductions in absenteeism. As in the previous section, the economic impact for absenteeism consists of the interaction of three values. However, because this sensitivity analysis is focused on absenteeism rather than turnover,

Figure 6: **Impact of cost to replace on ROI by degree of turnover**

Reduction in absenteeism held at 30 pps; Increase in time at work held at 12.5 hours per quarter



Source: Authors' calculations based on Wellthy user data.

the three focal values are: the change in how many people experience absenteeism, the increase in time that those people spent at work, and the cost to the employer of providing the caregiving benefit. Cost to the employer again relied on employer actual spending. Customer self-reported data was used to estimate the number of people experiencing absenteeism and the increase in time people spent at work.

To focus our sensitivity analyses on absenteeism, we held reduction in turnover and cost to replace at constant values. First, to determine the values at which to hold turnover and cost to replace constant, we analyzed ROI in the absence of any improvements to absenteeism—meaning that reduced absenteeism and time increased at work were both zero. Under these conditions and when turnover was reduced by 3 percentage points and cost to replace was 50% of the average salary, the ROI was 72.27%. At these values, changes in absenteeism could help improve ROI once an employer has already broken even.

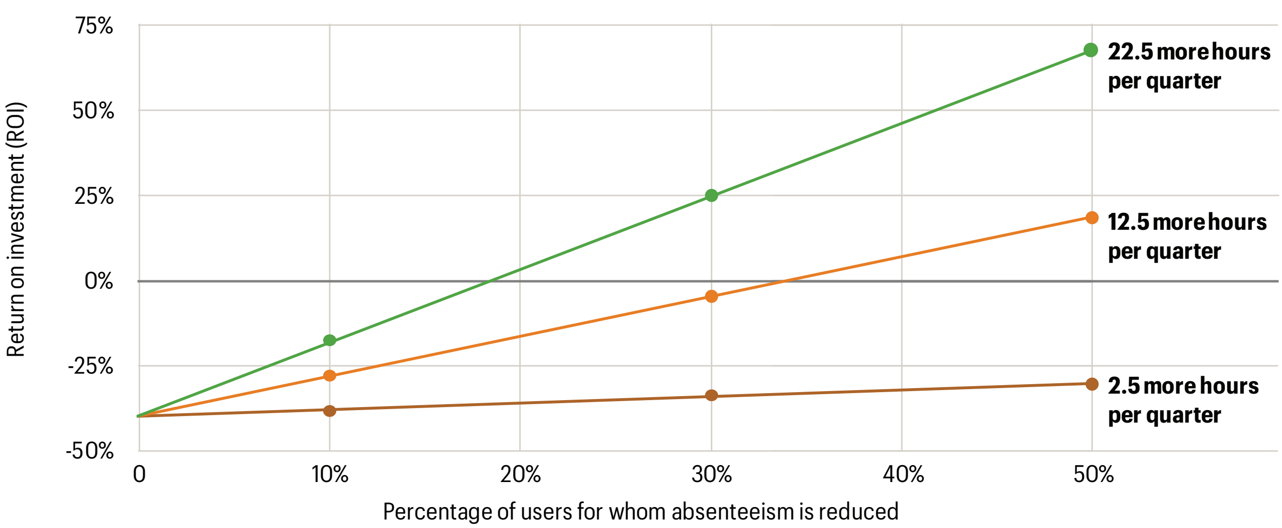
However, if turnover is only reduced by 1 percentage point and cost to replace is 50%, then reducing absenteeism does play a role in helping an employer break even. As shown in Figure 7, when the reduction of absenteeism increases an employee's time at work by 12.5 hours (2.5% of hours in a given quarter), an employer will need caregiver benefits to reduce absenteeism for 34.63% of users in order to breakeven. When the time spent at work is increased by 22.5 hours per quarter on average (4.5% of working hours in a given quarter), this drops to 19.28% of users.

To explore the requirements for an employer to breakeven, we also conducted a sensitivity analysis inverting the parameters of reduced absenteeism and increased time spent at work. When caregiver benefits reduce absenteeism for 10% of users, the corresponding increase in time spent at work must be about 45 hours in a given quarter (about 8.5% of average working hours) for an employer to breakeven. However, as demonstrated by Figure 8, when absenteeism is reduced for 30% or 50% of users, the respective increases in time spent at work on average needs to be just 15 hours and 9 hours in a given quarter. This, in turn, suggests that caregiver support benefits need to save caregivers about an hour and 15 minutes or about 45 minutes of work time each week, assuming that employee turnover is only reduced by 1 percentage point.

Reducing absenteeism for 30% of users may be quite achievable. In self-reported survey data from Wellthy care benefit users, around 60% of these caregivers indicated that the caregiving support reduced their absenteeism, thus increasing their time at work. Even halving this number to 30% to account for the fact that survey respondents may be among the most satisfied

Figure 7: **Impact of reduction in absenteeism on ROI by increase in time at work**

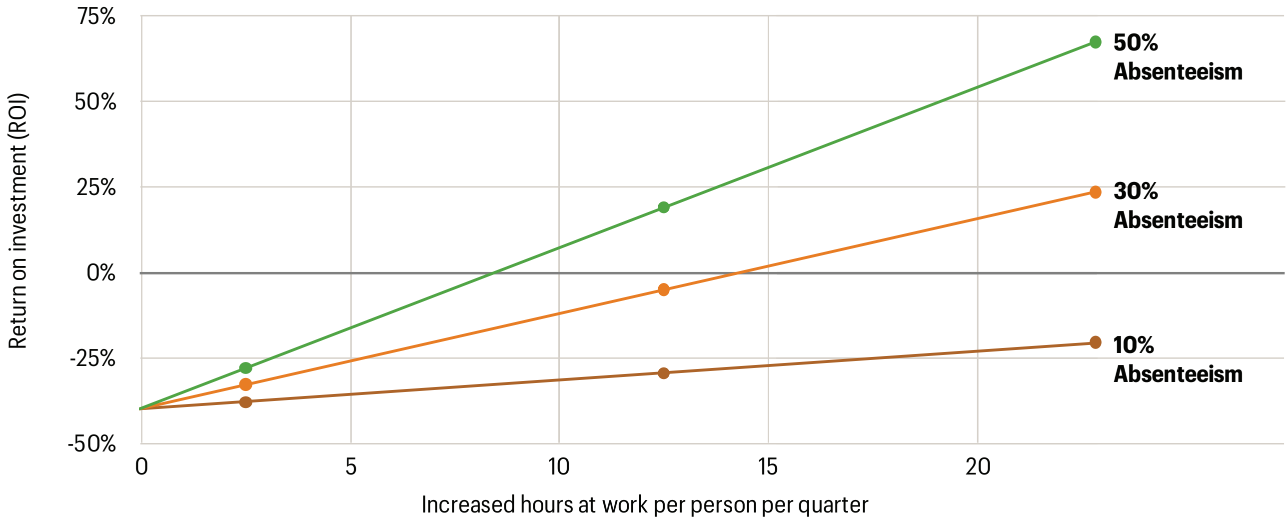
Reduction in turnover held at 1 pps; Cost to replace held at 50%



Source: Authors' calculations based on Wellthy user data.

Figure 8: **Impact of increase in time at work on ROI by reduction in absenteeism**

Reduction in turnover held at 1 pps; Cost to replace held at 50%



Source: Authors' calculations based on Wellthy user data.

Clients with tenure of more than one year by Sept. 2022 and n=>10 respondents (pseudonyms)	Percentage of survey respondents reporting access to care benefits helped them miss fewer workdays and/or meetings	Number of survey responses	Industry
SoftwareCo	100.00%	13	Technology
FinTech	73.68%	19	Technology
Optimization Solutions	73.33%	15	Technology
Coastal Friends Bank	73.33%	45	Finance
Customer Link	71.00%	100	Technology
ConnectCo	70.73%	82	Technology
SciDev	70.70%	157	Manufacturing
FinServe	70.39%	179	Finance
Leverage Law	70.00%	10	Law Firms & Legal Services
Corpsocial	70.00%	10	Technology
TechCo	68.64%	118	Technology
Electra Quest	68.57%	35	Retail
Worldsphere	68.42%	76	Media & Entertainment
Globewave	63.64%	11	Media & Entertainment
Safe Guardian	63.41%	41	Insurance
Financial Hub	62.92%	89	Finance
Xpertix	61.95%	113	Business Services
Procloud	60.78%	51	Technology
Production Plus	60.00%	10	Manufacturing
Main Tech	57.45%	47	Technology
Worksage	55.17%	29	Finance
BeyondClick	54.29%	105	Technology
Devisix	52.86%	70	Manufacturing
TerraSentry	52.38%	42	Manufacturing
Stone Banker	50.00%	18	Technology
Nexinsure	50.00%	40	Insurance
MissionSure	47.37%	19	Insurance
Omni Industries	47.06%	17	Manufacturing
Averages	**63.86%**	**55.75**	

care benefit users suggests a favorable economic return from reducing absenteeism. The table on Page 15 shows, for a sample of companies, the percentage of survey respondents who reported that the caregiving benefit helped them miss fewer meetings and/or workdays.

Additionally, in self-reported survey data from June 2022 through June 2023, care benefit users disclosed that the caregiving support saves them about 6 hours and 15 minutes per week. While it is likely that users do not invest all of this time in work, if even one-third is invested in work, they will increase their time at work by about 24 hours in a given quarter. Further, keeping in mind that the care benefit users who take the survey may be the most positively affected, even those who benefit less could see decent reductions in absenteeism that contribute to economic return for employers.

Implications and recommendations

For more than two decades, technology has steadily blurred the lines between work hours and personal time. With the rise of 24/7, always-on work norms, business leaders recognized that there was a correlation between the caregiving responsibilities of their employees and the productivity of the organization. Efforts to improve the degree of gender diversity contributed to that realization. Accordingly, well before COVID, companies in sectors such as private equity, banking, and consultancy began offering employees—specifically high-skilled, higher-wage employees—a growing array of caregiving services.

Few companies, however, tracked the utilization of those services. In fact, managements tended to deliberately shy away from probing the caregiving needs of employees, let alone tracking who in the organization was using what kind of services and how satisfied they were with them. When asked in a pre-COVID survey if employers were measuring metrics around caregiving, 52% said they did not. Of those who did not track caregiving, 26% saw no value in doing so, 17% were concerned about employee privacy or legal issues, and 6% reported that utilization of benefits was too low to bother.[47]

COVID complicated matters. Employers were now compelled to take cognizance of the caregiving constraints faced by their workers. The pandemic literally zoomed managers into their team members' personal spaces, providing a keyhole view of the caregiving challenges employees were facing. Perhaps for the first time, many managers had to ask personal questions about caregiving needs to make remote work arrangements function smoothly.[48] Employers could no longer remain aloof from the childcare and elder care issues most employees were juggling simultaneously, in plain sight, with work.

The pandemic provided one more significant insight into caregiving. As the global economy shut down, managements began to realize that access to caregiving services was a common constraint to maintaining staffing levels and sustaining operations.[49]

Despite that growing realization, in the post-COVID recovery, many companies have yet to understand the economics of providing caregiving benefits to employees. Managements are aware of the direct cash costs associated with providing caregiving services to employees. But few companies have bothered to understand the offsetting returns that providing such benefits yield. Leaving it to workers to manage the trade-offs associated with balancing work with family obligations often precipitates them to take actions, like resigning, that are deleterious to employers.

- **Understand the systems-wide effect of caregiving costs and benefits:** Over time, companies have become preoccupied with reducing the costs of benefits. That is quite understandable. They affect budgets and are easy to track. But in their rush to contain the costs of benefits, companies have often ignored the system effects of their choices. While the costs of offering a benefit were apparent, the costs of not offering a benefit were often hidden. Most companies paid limited attention to why workers—especially low-wage workers—quit or were chronically absent or late. The relationship between an employee's life outside of work and an employer's policy choices was only vaguely understood, if at all. That made the actual value of extending benefits in new domains, like caregiving, difficult to discern.

  Understanding the system effects at work requires companies to invest in understanding what prompts employee turnover. Managements need to understand the causes of voluntary departures or shortcomings in performance that lead to involuntary termination, like absenteeism or tardiness. It is only when they have that data in hand that they can contrast the costs of providing benefits that address the root causes of productivity-draining events. They also have to calculate their cost to replace workers at different levels in the organization—especially those workers who are essential for the success of the company's business model.

  Only when the company has all the data required to do a proper return-on-investment analysis can it understand the extent of the caregiving challenges facing their workforce. Such an analysis should encompass the entire organization, not just employees of a certain grade or cadre. Emphasis should be placed on those positions that are critical for the company's ability to stay competitive. They will range from key decision-making executives and their likely successors to frontline workers who keep the enterprise's doors open. It should also reveal specific jobs, facilities, or units in which the workforce's productivity is particularly vulnerable to the vagaries of caregiving obligations.

While initially it might appear that building the business case for caregiving services is onerous, management will discover that the effort soon pays for itself. The exercise will unveil the hidden benefits of offering employees caregiving support services.

- **Gather more information about the workforce's care demographics.** Caregiving takes many forms. Workers of different ages have different needs, yet companies have tended to offer employees "one-size-fits-all" benefits. That approach is costly, because it results in low utilization of caregiving benefits that are not relevant to many employees' stages of life. Childcare benefits have no value for older workers whose children are already living independently, nor are elder care benefits attractive to young workers who are just starting their own families.

  Understanding demographics by location also matters. Companies with dispersed sites will find that the accessibility and affordability of caregiving services varies widely across the nation. Similarly, the viability of caregiving services depends greatly on where work is done. Essential workers, for whom hybrid or remote work is impractical, require different support systems than colleagues with more flexible roles or those enjoying the luxury of working remotely. To arrive at the right mix of caregiving services, management must first understand the size and distribution of its workforce's caregiving needs.

- **Monitor why workers are leaving or planning to leave.** Few companies compile specific data on the causes of employee exits. Even fewer equip supervisors with training or the decision rights to try to prevent a wavering employee from opting to resign. Turnover is expensive. Most companies will acknowledge that the direct cost of replacing a lower-level worker approaches 50% of their annual salary. The ratio is two to four times as much for higher-level workers. But there are other costs, as well. When workers leave, they take with them precious tacit knowledge on factors that influence the organization's ability to attract and retain talent. Their departure can sap morale in their former colleagues and damage relationships with valuable customers. But companies that do not understand what is driving turnover or acknowledge the costs associated with it can't fairly evaluate the returns available by investing in benefits that will bolster retention.

  To capture such information, employers should actively seek data on the specific reasons that prompt employees to consider quitting. Employers can gather feedback through mechanisms like surveys and exit interviews. Tracking these trends by employee demographics will add another layer of utility. It will help define the impact of care on turnover by age and gender and provide more insight into which caregiving services are most likely to be utilized. Similarly, data should be captured on absenteeism and chronic lateness as these, too, can shed light on improving employee performance and engagement.

- **Revisit job descriptions, career paths, and managerial incentive.** The job descriptions and career paths that companies rely upon to define work are derived from those developed in the distant past. They have evolved gradually from the era of traditional post–World War II households. Job descriptions often represent an amalgam of past and current requirements that ultimately influence important outcomes, like which applicants get selected to be interviewed by Applicant Tracking Systems. Excessive or extraneous skills requirements can scare off candidates who are balancing work-life with caregiving responsibilities. Similarly, career paths that feature frequent and extensive travel, unpredictable working hours, or multiple relocations will exclude many caregivers from considering pursuing advancement. Admittedly, high levels of commitment may indeed be required for certain positions in certain industries. But many would have become standard practice decades ago and may be deemed gratuitous when reviewed in light of today's requirements and composition of the labor force in the 21st century.

- **Foster a culture where caregiving is openly discussed.** Most organizations have norms that actively discourage managers and colleagues from intruding into the personal lives of their fellow employees. Building an environment where managers and team members are comfortable talking about care issues will thus require a sustained and visible effort to overcome existing barriers. Many workers, particularly younger or recently hired workers, are reluctant to raise caregiving responsibilities to their manager when discussing performance. Most fear they will be viewed as lacking commitment or showing ambivalence toward their job if they share details about their childcare or elder care challenges. That hesitation is even more prevalent if the employer does not offer meaningful caregiving support services.

Initiating the new care culture will, therefore, need to start from the top. Senior executives can play a particularly effective role in reducing employee inhibitions by making their own caregiving challenges known. Sharing stories of care challenges and how the organization helped an employee overcome them go much further to reinforce management's sincerity than simply announcing a new policy or initiative around caregiving. Such formal and informal communications need to occur consistently over time, touching employees across the hierarchy of the organization and across demographics. Only then, when trust develops between management and workers, will the legitimacy of caregiving become integral to a company's culture.

- **Audit current caregiving services and get feedback from employees who use them.** Many employers look at the low utilization of caregiving services they offer and wrongly deduce that these services are of limited importance to their workers. That conclusion reflects the lack of understanding of caregivers' life circumstances. Utilization of such benefits tends to be low, because they do not match the needs of employees. For example, granting limited unpaid leave or allowing workers to solicit their co-workers to donate vacation days to allow them to extend time off for caregiving might seem like attractive "benefits" to the HR team, but such benefits are likely unattractive or impractical for many workers.

  Many companies underestimate how complicated "buffet" benefit plans are. For many employees, the user experience is so off-putting that they pay scant attention to their selections or choose not to utilize some benefit that they find hard to understand. In contrast, benefits that are easy to use and publicized directly to the sub-population of employees they are intended to help will be much more widely and quickly adopted. Word of mouth plays a critical role; hearing co-workers endorse a benefit is compelling.

  Auditing the utilization of caregiving services and investigating what makes a benefit popular or unpopular can help the organization allocate its spending for greater impact. Rather than offering a large menu of one-size-fits-all benefits, management can tailor the offerings to what employees truly want and use. This is particularly important while experimenting to see whether new benefits work.

  Employers must also recognize that Employee Assistance Programs (EAPs) are rarely adequate substitutes for specific caregiving benefits. Most EAPs provide little more than access to service representatives, who are equipped to describe to an employee what they are entitled to under their benefits package and to answer questions. But that is the limit of the assistance they provide. Caregiving benefits provide employees with direct support in managing specific care issues.

Embracing a new approach to caregiving will require companies to acknowledge a simple truth: that both childcare and senior care is unaffordable for many American workers and frequently unavailable altogether. Those problems are driven by everything from a lack of scale economies to local regulations that make building or outfitting sites as care centers impractical. Large national employers often have networks of sites—sometimes called "small of the large" locations—that prevent them from translating their national scale purchasing power to the local level. By banding together, employers in any given locale can overcome those challenges by pooling their purchasing power. They can also use that cooperation to lobby state and local officials and to eliminate gratuitous barriers to creating more care capacity.

The way companies have historically approached caregiving employees is no longer fit for purpose. Ignoring the impact of caregiving on voluntary turnover and absenteeism inflicts high ongoing costs on the organization. Investing in new benefits models that address the needs of caregivers is no longer a nice-to-have fringe activity. It is an essential investment in building a more stable and competitive workforce for the 21st century—one that guarantees a high return.

Appendix I: Values from charts

Table AI1: **Values from Figure 5 and Figure 6**

Impact of reduction in turnover x cost to replace on ROI, holding reduction in absenteeism at 30% and hours increased at work at 12.5 hours per person per quarter

Percentage point reduction in turnover	Cost to replace as percentage of average salary	ROI
1.00%	33.00%	-25.35%
1.00%	50.00%	-5.82%
1.00%	100.00%	51.60%
1.00%	150.00%	109.03%
3.00%	33.00%	50.45%
3.00%	50.00%	109.03%
3.00%	100.00%	281.30%
3.00%	150.00%	453.57%
5.00%	33.00%	126.25%
5.00%	50.00%	223.87%
5.00%	100.00%	511.00%
5.00%	150.00%	798.12%
7.00%	33.00%	202.05%
7.00%	50.00%	338.72%
7.00%	100.00%	740.70%
7.00%	**150.00%**	**1142.67%**

Table AI2: **Values from Figure 7 and Figure 8**

Impact of reduction in absenteeism x time increased at work per person per quarter on ROI, holding turnover at 3% and cost to replace at 50%

Percentage point reduction in absenteeism	Time increased at work per person per quarter	ROI
10.00%	0.50%	74.72%
10.00%	2.50%	84.52%
10.00%	4.50%	94.32%
30.00%	0.50%	79.62%
30.00%	2.50%	109.03%
30.00%	4.50%	138.43%
50.00%	0.50%	84.52%
50.00%	2.50%	133.53%
50.00%	4.50%	182.53%

Appendix II: Running simulations

To estimate ROI, we built a model that combined real data from companies that offered the caregiving benefit with simulated variables to create different scenarios. Each scenario varied the potential impacts of reduced absenteeism and reduced turnover to evaluate the effects on ROI. In total, we simulated 432 scenarios, to assess all combinations of the values of our simulated variables. For each scenario, we calculated the ROI for each of the 97 companies in our data set. Then we calculated the mean ROI across companies to create one ROI value for each scenario. Finally, we used bivariate charts to analyze the relationship between simulated variables.

Table AII1: **Example list of scenarios**

Scenario number	**Turnover reduction**	**Cost to replace**	**Absenteeism reduction**	**Time increased at work**
1	1.00%	33.00%	10.00%	2.5 hours
2	3.00%	50.00%	10.00%	12.5 hours
3	5.00%	150.00%	30.00%	22.5 hours

Appendix III: Building the model

In this appendix, we explain the overall model governing the calculation of ROI and the relationships between variables. This model produced an ROI for each client for each simulated scenario. The model relies on a classic ROI equation, in which "Savings" is the monetary amount a client saves from purchasing Wellthy, while "Cost" is the cost of purchasing Wellthy:

$$\textbf{ROI} = \frac{\text{Savings} - \text{Cost}}{\text{Cost}}$$

"Cost" is simply the total amount a client has spent to procure Wellthy services. This is real data that Wellthy provided. We will refer to "Cost" as C. For this analysis, we explored how changes in "Savings" would impact ROI. Specifically, we postulated that caregiver support benefits would reduce turnover and reduce absenteeism. In turn, the reduction in turnover and absenteeism would create savings for client companies. We combined real data about the number of active users for each client company with simulated data to estimate how different levels of turnover reduction and absenteeism reduction would impact "Savings" and thus, ROI. We will refer to "Savings from reducing turnover" as S_T and "Savings from reducing absenteeism" as S_A.

$$\textbf{ROI} = \frac{(S_T + S_A) - C}{C}$$

First, we will detail the portion of the model that estimates savings from reducing turnover (S_T). There are four components to estimate savings from reduction in turnover:

- **Active members** (U): The number of people actively using Wellthy services in a given quarter.
- **Reduced turnover** (R_T): The simulated percentage of those people retained who otherwise would have quit.
- **Avoided cost to replace** (A_T): The percentage of salary it would have cost to replace a given person if they had quit as a percentage of average salary.
- **Salary** (θ): The average salary for a given client company.

$$S_T = U * R_T * A_T * \theta$$

While the number of users and salary consisted of real data from each client company and from online aggregators, respectively, reduced turnover and avoided cost to replace were simulated variables that were varied for each scenario. These components were multiplied together. The number of users multiplied by the simulated percentage point reduction in turnover produced the number of people retained because they used care benefits. The average salary for each client company was multiplied by the cost to replace variable to produce the monetary value saved by retaining one person. In turn, these two numbers—the number of people retained and the cost avoided by retaining a single person—were multiplied together. The product of these four components was the estimated savings from reducing turnover (S_T).

Next, we detail the portion of the model that estimates savings from reducing absenteeism (S_A). There are five components to estimate savings from reduction in absenteeism:

- **Active members** (U): The number of people actively using Wellthy care benefit services in a given quarter.
- **Reduced absenteeism** (R_A): The simulated percentage of those people for whom absenteeism was reduced.
- **Expected increased time at work per quarter** (T_A): The simulated time spent at work that would have otherwise been lost to absenteeism.
- **Wages** (ξ): The average hourly wage for a given client company.
- **Wage Multiplier Constant** (λ): A multiplier to account for additional costs of absenteeism, like being unavailable to team members. It is equal to 1.28[50]

$$S_A = U * R_A * T_A * \xi * \lambda$$

Similar to the calculation for savings from reduced turnover, the five components for savings from reduced absenteeism were simply multiplied together. The number of users was multiplied by the simulated percentage point reduction in absenteeism to calculate the number of people for whom absenteeism was reduced by using caregiver support benefits. The expected increased time at work was multiplied by the average hourly wage to produce the monetary value saved per person for a given increase in time spent at work. For instance, an average hourly wage of $5.00 and an increase in time spent at work of 12.5 hours would mean $62.50 dollars saved per person. The monetary value was multiplied by a wage multiplier of 1.28[51] to account for avoided additional productivity losses (for instance, if a key colleague is unavailable to teammates). Next, these two numbers—the number of people with reduced absenteeism and the monetary impact of their increased time at work—were multiplied together. The product of these five components was the estimated savings from reducing absenteeism (S_A).

$$\textbf{ROI} = \frac{([U * R_T * A_T * \theta] + [U * R_A * T_A * \xi * \lambda]) - C}{C}$$

To build the final model, savings from reduced turnover (S_T) and savings from reduced absenteeism (S_A) are summed to calculate the total savings. With this value, ROI can be calculated for each company using data showing the cost of their Wellthy care benefits purchase.

Appendix IV: Client variation

As mentioned previously, the model combines real data that differed for each client in the data set with simulated variables that changed for each "run" of the model. Table A1 shows summary statistics for the 97 client companies that were included in our analysis.

	Mean (Standard Deviation)
Tenure (months)	22 (15)
No. of employees	11,170 (20,094)
Salary (dollars)	$115,405 ($20,338)
Active members per quarter	49 (74)
Investment (dollars)	$35,743 ($50,206)

Each of the 97 companies in the data set had unique data in terms of how much they paid to Wellthy each quarter (*actual spending*), how many employees actively used Wellthy care benefits (*active members)*, and average salary of employees.

To the first component, companies varied in how much they paid Wellthy for two main reasons: the type of the contract and the timing of the contract. During the time period from which the data was collected (January 2021 to September of 2022), Wellthy had two different payment models: Per Utilization and Per Member Per Month (PEPM). Per Utilization contracts were structured such that companies paid Wellthy a certain amount when any employee opened an active Care Project. PEPM contracts were structured such that clients paid Wellthy to cover their employee population (which ranged from under 100 to over 100,000), regardless of how many active Care Projects were opened. In sum, *actual spending* varied by type of contract. Additionally, companies contracted with Wellthy at different times and for different lengths of time. If a client signed a contract at an earlier date, their contract price may be lower than a client signing more recently due to inflation and other changes in the business environment. Further, clients signing longer contracts may have a different contracted price than those signing shorter contracts. Of course, these are general trends rather than steadfast rules because any contract negotiations are idiosyncratic.

To the second component, companies varied in how many employees actively used Wellthy care benefits. Users were considered active because they opened a Care Project. While Wellthy has several services, at this time, their core business offering was concierge services which were organized around Care Projects. Naturally, companies with larger populations tended to have more active users than companies with smaller populations. Furthermore, companies have unique mixes of benefits and internal benefit marketing strategies, not to mention unique employee populations. All of these affect how many active Care Projects a given client has in a given quarter. The third component is self-explanatory—average salaries vary by company due to influences like industry norms, company economic performance, and location.

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