

**THE METLIFE STUDY OF
EMPLOYER COSTS FOR
WORKING CAREGIVERS**

Based on data from
Family Caregiving in the U.S.: Findings from a National Survey

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THE COST OF CAREGIVING TO U.S. BUSINESS

In the ten years since the last major national survey of caregivers in the U.S., there has been a growing sense that caring for older relatives is exacting a cost on U.S. business in terms of decreased productivity by those employees burdened with caregiving responsibilities. Indeed, there has been substantial evidence that caregiving for older family members have grown to affect many aspects of society.

To address these issues and to collect new data on caregiving in the U.S. the National Alliance for Caregiving (NAC) in collaboration with the American Association of Retired Persons (AARP) contracted with International Communications Research, Inc. (ICR) to conduct a representative national telephone survey on caregiving. The survey and its report, *Family Caregiving in the U.S.: Findings from a National Survey* were funded by Glaxo Wellcome, Inc. with additional funding provided by The Archstone Foundation, ManorCare Health Services and Metropolitan Life Insurance Company.

The survey was conducted during evening and weekend hours from August 14, 1996 through September 20, 1996. In total, 1509 interviews were conducted. The statistical margin of error is plus or minus 2.25% at the 95% confidence level.

According to the 1997 National Alliance for Caregiving/AARP survey, 23.2% of all U.S. telephone households, or 22,411,200 households, are involved in caregiving. The majority (64.2%) of these caregivers are employed, most (51.8%) full-time. This translates into 14.4 million full and part-time employed caregivers who are balancing work with their caregiving roles.

For these caregivers, the responsibilities of caregiving have a direct impact on employee productivity and on those who work with them. Workers often alter their work schedule—come in late, leave early, take long lunches; make or receive phone calls at work related to their caregiving responsibilities; miss work to take their relatives to appointments or to deal with sudden crises. Just under half of those caregivers who were ever employed while caregiving report having had to do this.

One-tenth have had to give up work permanently (3.6% took early retirement and 6.4% gave up work entirely). Eleven percent report having taken a leave of absent. Fewer changed from full-time to part-time work or took a less demanding job (7.3%). It follows that employers, as well as employees, bear a large financial burden from personal caregiving.

What Are the Costs to Business of Caregiving?

Several studies have documented costs of caregiving to business in lost productivity on the part of the employed caregiver as well as management and administrative costs based on the time supervisors spend on issues of employed caregivers. This report uses new data on the prevalence of family caregivers among full-time employees to estimate the

cost to U.S. businesses of lost productivity and use of supervisory time dealing with caregivers' issues.

The major effects of caregiving on employee productivity fall into six major categories:

- replacement costs for employees who quit due to their caregiving responsibilities
- absenteeism costs
- costs due to partial absenteeism
- costs due to workday interruptions
- costs due to eldercare crises
- costs associated with supervising employed caregivers

The sections below project the costs to U.S. business of these caregiving burdens using formulae developed in a 1995 study prepared for Metropolitan Life Insurance Company by the Washington Business Group on Health and Gibson-Hunt Associates. These formulae drew on prevalence estimates from three large-scale studies of employed caregivers.¹

The original MetLife study focused on the impact on those caregivers providing personal care. In order to have data comparable with those used in developing the cost formulae, only data on caregivers in the three most intense levels of caregiving (Levels III, IV, and V) identified in the National Caregivers Survey were used. These are caregivers who on average provide assistance with at least two activities of Daily Living (bathing, feeding, toileting, transferring from chair or bed, or walking), and at least four Instrumental Activities of Daily Living (financial management, transportation, help with medications,

¹ CARNET Work and Family Survey, 1993. This survey was conducted by The Work and Eldercare Research Group of The Canadian Aging Research Network (CARNET) based at the University of Guelph. Employees from 8 Canadian organizations representing 5 employment sectors (government, education, finance, health care, manufacturing) participated in the survey. In total, 5121 individuals returned the survey for an overall response rate of 53%. Survey respondents were categorized according to the type of assistance they provided: general eldercare or personal eldercare; the latter included help with at least one of five activities: taking medications, dressing, bathing, eating or toileting. Of the total sample, 46% reported that they were involved with eldercare; 25% of those providing eldercare were providing personal care. These individuals represented 12% of the total respondents.

Transamerica Life Companies, 1991. This study was conducted by Andrew Scharlach, Ph.D., Assistant Professor of Social Work and Gerontology at the University of Southern California. The study surveyed employees of Transamerica Life Companies in southern California. Of the 3,658 employees surveyed, 1,898 returned useable questionnaires for a response rate of 52%. Overall, 23% indicated that they were currently providing special assistance to a person aged 60 or over. Of those providing eldercare, 8% were providing personal assistance (bathing, dressing, feeding, toileting); these individuals represented 2% of the total respondents.

University of Bridgeport, 1987. This study was conducted by Donna Wagner, Ph.D., and Michael Creedon, DSW, of the University of Bridgeport Center for the Study of Aging. The study surveyed employees age 40 and older in three companies in Connecticut: People's Bank, Pitney Bowes and Remington Products. Of the 1,370 employees surveyed, 504 responded for a response rate of 36.8 percent. Overall, 26% of those surveyed reported that they provided eldercare. Of these, 30% were providing personal care; these individuals represented 8% of the total respondents.

shopping, preparing meals, etc.). They provide on average between 9 (Level III) and 56 hours (Level V) of care each week.

The table below shows the numbers of employed caregivers at each of these levels.

| Caregivers | % Employed | Men | Women |
|--------------|------------|-----------|-----------|
| Level III | 57% | 606,209 | 1,664,237 |
| Level IV | 49% | 654,182 | 1,842,696 |
| Level V | 31% | 159,658 | 802,135 |
| Total | | 1,420,049 | 4,309,068 |

Using median weekly wage data from the Bureau of Labor Statistics and Bureau of the Census Current Population Survey for men and women ages 45-54 and employed full-time (\$701 for men and \$468 for women), the numbers of employed caregivers from the National Caregivers Survey (above) and the formulae developed in the report for Metropolitan Life mentioned earlier, the following projections of cost to U.S. business were developed.

Replacement Costs for Employees Who Quit in Any Year

Over 17% of Level III-V caregivers who were ever employed while caregiving say that they had to quit their jobs or take early retirement because of their caregiving responsibilities. Because the average length of time these individuals have been providing care is 4 years, we estimate that slightly more than 4% will leave their work in a given year. (This is four times as many as earlier estimates of those who quit or leave their work due to their responsibilities as caregivers).

Replacement costs, including recruiting, relocation, training, the temporary inefficiency of new hires and vacant positions, have been estimated by The Conference Board to be equal to 75% of the annual salary costs for employees who quit.²

| Replacement Costs for Employees Who Quit | | | |
|---|--|--------------------|--|
| Full-time Employed Caregivers by Gender (Levels III, IV, and V) | Number who quit in a given year (4.2%) | Median Weekly Wage | Cost to Employers (75% of annual wage) |
| Men | 59,642 | \$ 701 | \$1,630,553,866 |
| Women | 180,981 | \$ 468 | 3,303,262,439 |
| Total | 240,623 | | \$ 4,933,816,305 |

² The Conference Board, 1991. *Linking work-family issues to the bottom line*. Research Report #962. New York: The Conference Board.

Costs Due to Absenteeism

The CARNET study was used to develop the estimate of absenteeism costs. According to this study, 10.5% of employed caregivers providing personal care were absent a minimum of three or more days in the previous six months (or a minimum of 6 days per year) carrying out caregiving responsibilities, such as taking their older relative to the doctor or other health care visits, visiting them, arranging for services, etc.³

| Costs due to Absenteeism | | | |
|---|---|--------------------|-------------------|
| Full-time Employed Caregivers by Gender (Levels III, IV, and V) | Number absent average 6 days per year (10.5%) | Median Weekly Wage | Cost to Employers |
| Men | 156,205 | \$ 701 | \$ 131,399,945 |
| Women | 473,997 | \$ 468 | \$ 266,196,973 |
| Total | 630,203 | | \$ 397,596,918 |

Costs Due to Partial Absenteeism

Partial absenteeism-arriving late for work or leaving early, extended lunch breaks, etc.-is a commonly reported effect of caregiving on work. Fifty-nine percent of employed caregivers in Levels III-V say that they have had to adjust their schedules in these ways. Scharlach (1994) has reported that 22% of caregivers are unable to make up this time by working late, coming in on weekends or taking work home.⁴ Based on knowledgeable estimates by experts on caregiving, it is estimated that, on average, these caregivers lose a minimum of 1 hour per week or 50 hours per year that cannot be made up.

| Costs Due to Partial Absenteeism | | | | |
|---|---|--|--------------------|-------------------|
| Full-time Employed Caregivers by Gender (Levels III, IV, and V) | Number experiencing partial absenteeism (59%) | Number unable to make up 50 hours/year (22%) | Median Weekly Wage | Cost to Employers |
| Men | 837,082 | 184,166 | \$ 701 | \$ 161,375,558 |
| Women | 2,540,085 | 558,843 | \$ 468 | \$ 326,923,158 |
| Total | 3,377,168 | 743,009 | | \$ 488,298,715 |

³ To ensure that absenteeism was not overstated in the CARNET estimates, the percent of employees providing personal eldercare who were absent 3 or more days was reduced by the percent of employees with no caregiving responsibilities who were also absent 3 or more days. For example, if 15 percent of those providing personal care were absent 3 or more days and 5 percent of those with no caregiving responsibilities were also absent 3 or more days, the personal caregiver prevalence rate was reduced from 15 percent to 10 percent

⁴ Scharlach, A.E., (1994). Caregiving and Employment: Competing or Complementary Roles? *The Gerontologist*, 34, 378-385.

Costs Due to Workday Interruptions

Many caregivers report that they experience interruptions during the day due to caregiving. This includes time spent making phone calls to the care recipient or to service providers, receiving phone calls or being distracted from work in other ways. These interruptions were estimated at 1 hour per week for 50 weeks for those employees involved in the most intense levels of caregiving.

| Costs Due to Workday Interruptions | | | | |
|---|---|--|--------------------|-------------------|
| Full-time Employed Caregivers by Gender (Levels III, IV, and V) | Number experiencing workday interruptions | Hours lost due to interruptions (avg. 50 hr/yr.) | Median Weekly Wage | Cost to Employers |
| Men | 1,420,049 | 71,002,434 | \$ 701 | \$ 1,244,317,663 |
| Women | 4,309,068 | 215,453,391 | \$ 468 | \$ 2,520,804,670 |
| Total | 5,729,117 | 286,455,825 | | \$ 3,765,122,333 |

Costs Due to Eldercare Crises

Sixty percent of employed caregivers in the CARNET survey report having experienced an eldercare crisis in the past six months, e.g. parent goes to hospital or has a severe health care crisis, the older person's residence must be moved. The estimate of time lost to additional phone calls, loss of concentration and partial absenteeism in dealing with such crises is 3 days per year.

| Costs Due to Eldercare Crises | | | | |
|--|---------------------------------|--|--------------------|-------------------|
| Full-time Employed Caregivers by Gender Levels III, IV, and V) | Number affected by crises (60%) | Number unable to make up 50 hours/year (22%) | Median Weekly Wage | Cost to Employers |
| Men | 852,029 | 2,556,088 | \$ 701 | \$ 358,363,487 |
| Women | 2,585,441 | 7,756,322 | \$ 468 | \$ 725,991,745 |
| Total | 3,437,470 | 10,312,410 | | \$ 1,084,355,232 |

Costs Associated with Supervising Caregivers

Eighty-one percent of the employed caregivers in the National Caregiving Survey report sympathetic attitudes by their supervisors. Previous studies have estimated that the time spent by supervisors providing emotional support, arranging coverage absent or late employees, counseling about benefits and dealing with work disruptions could take one hour per month or 1.5 days per year. (To reflect the higher salaries of supervisors, the median wage was increased by 10%.)

| Costs Associated with Supervising Caregivers | | | | |
|---|--|---------------------------------------|--------------------|-------------------|
| Full-time Employed Caregivers by Gender (Levels III, IV, and V) | Number with supportive supervisors (81%) | Supervisor's time (12 hours per year) | Median Weekly Wage | Cost to Employers |
| Men | 1,150,239 | 13,802,873 | \$ 771 | \$ 266,084,889 |
| Women | 3,490,345 | 41,884,139 | \$ 515 | \$ 539,048,871 |
| Total | 4,640,584 | 55,687,012 | | \$ 805,133,760 |

Other Costs

The increased costs of health care and mental health care for caregivers are another well documented outcome of caregiving.⁵ Leaves of absence, reported by 9.1% of level III caregivers, 17.8% of level IV caregivers and fully 26% of level V caregivers, are another cost to business. In addition, some caregivers reduce their hours of work, take less demanding jobs or turn down promotions because of their caregiving responsibilities. In the National Caregiver Survey, 6.5%, 11.7% and 25% of levels III, IV, and V caregivers report these last types of changes in work due to caregiving. None of these costs are estimated here because reliable base data are not available.

⁵ The University of Bridgeport survey, 20% of caregivers reported that they were under a physician's care compared to 16% of employees who were not caregivers. Based on this study, it was estimated that 4% of caregivers use physicians' services over and above the average employee.

This same study found that 22% of caregivers compared to 8% of non-caregivers reported frequent anxiety and depression. Vacarro (1991) reported that 33% of employees reporting depression seek help. It can be estimated then that 7% of caregivers use employer-sponsored mental health services over and above the average employee.

TOTAL COSTS TO BUSINESS

The aggregate costs of caregiving in lost productivity to U.S. business, using the estimates above, is \$11.4 billion per year.

These numbers should be considered very conservative. They are based on median wage data and do not include the costs mentioned above, which were difficult to calculate.⁶ Nor do they include the costs to productivity resulting from the impact on work for **another 8.7 million employed caregivers** - those caregivers providing care at Levels I and II, those working part-time or long-distance caregivers, although more than half report that caregiving has affected their work in one of the ways mentioned earlier. **If all these additional employed caregivers were included in the calculations, the total costs to U.S. business would exceed \$29 billion per year.**

| All Costs to Employers | | |
|------------------------|-------------------|--------------------------|
| | Cost per Employee | Total US Employer Costs |
| Replacing Employees | | \$ 4,933,816,305 |
| Absenteeism | \$ 69 | \$ 397,596,918 |
| Partial Absenteeism | \$ 85 | \$ 488,298,715 |
| Workday Interruptions | \$ 657 | \$ 3,765,122,333 |
| Eldercare Crises | \$ 189 | \$ 1,084,355,232 |
| Supervisor's Time | \$ 141 | \$ 805,133,760 |
| Total | \$ 1,142 | \$ 11,474,323,263 |

The full report on the
1997 National Alliance for Caregiving/AARP National Caregivers Survey
is available through:

National Alliance for Caregiving
4720 Montgomery Lane, Suite 642
Bethesda, MD 20814
301-718-8444
301-652-7711 (fax)

⁶ For purposes of comparison, the earlier MetLife study referenced above estimated the cost to one employer at \$3,142 per employee providing personal caregiving. It should be noted that this estimate, which is almost three times as high as the estimate provided here, include health and mental health care costs and costs associated with EAP services to caregivers. It also reflected the generally higher pay scales of the company under analysis. Scharlach, whose estimate does not include management/administration or health/mental health costs, calculated costs to employers at \$2,500 per employed caregiver (including those providing lower levels of care than those considered in this analysis). 97061Y41(exp1205)MLIC-LD