

WHITE PAPER

Caregiver Leave:

What Is It and Why Should Employers Consider It?





Introduction

The effects of the pandemic, along with the shifts in employee needs, attitudes, and expectations, have prompted employers to rethink several aspects of their benefits strategy and organizational cultures. Of particular focus is the evolution of leave benefits in the last few years.

Prior to the pandemic, parental leave benefits were gaining popularity and some large employers invested heavily in their programs, some providing extremely generous parental leave durations. Since the onset of the pandemic, leave benefits continue to be top of mind for employees, but there is a shift in the type of leave benefits that employees need. Rather than further expansion in parental leave benefits, employers have been modifying and reducing parental leave benefits. While it is still too soon to tell, trends in the market and employer conversations with consultants at Brown & Brown Strategic Non-Medical Solutions (SNS) suggest there may be a new type of leave that may soon gain popularity and adoption: caregiver leave.

An Evolving Labor Landscape

Pandemic Fallout

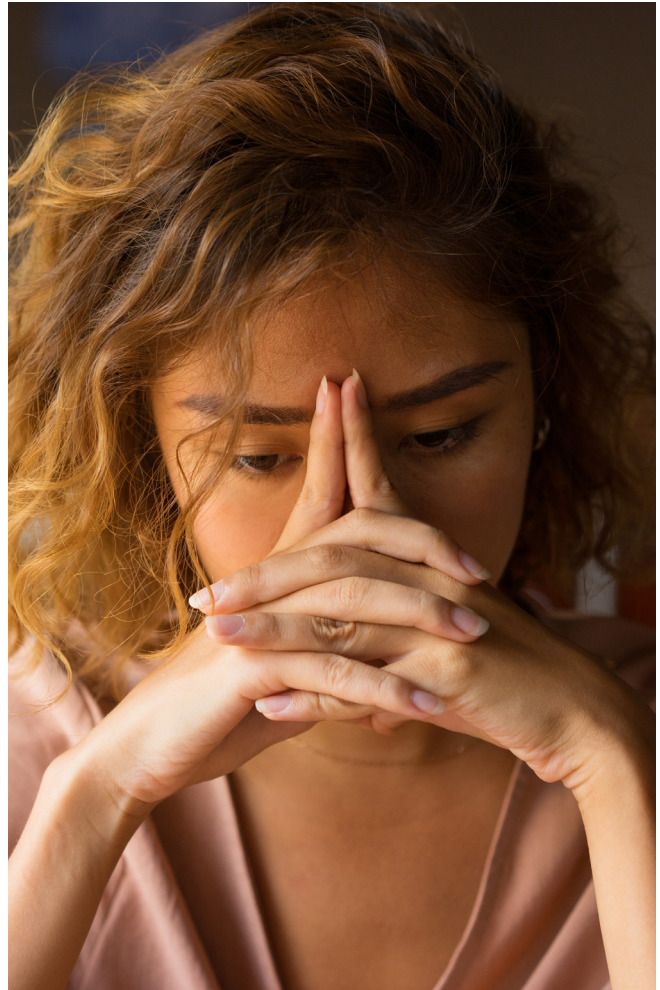
The global pandemic has heavily influenced the labor market and after three years, employers are still navigating both the fallout and impact of the pandemic in all areas of work and life. When a large portion of the workforce shifted to remote work, the already thin lines between work and home life were blurred even more.

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Burnout is... chronic and unsuccessfully managed stress, which can negatively impact employee health and productivity.

Disconnecting became more difficult than ever, and as a result, employees reported higher rates of exhaustion and burnout. In one survey by Spring Health, 76% of U.S. employees experienced burnout throughout 2020 and 2021; 44% of workers reported higher burnout rates in 2021 than in 2020.¹ Burnout is more than stress. It is a set of symptoms that result from chronic and unsuccessfully managed stress, which can negatively impact employee health and productivity. Beyond feeling exhausted, employees who are burnt out may have negative feelings toward work, decreased morale, poor work performance, low concentration levels, and in some cases, may quit altogether.²

The Great Resignation

Following the onset of the pandemic, individuals' perspectives about life and work evolved as well. Upon feeling the weight of pandemic-related stress and subsequent burnout, many individuals called it quits. In 2021, resignations reached 47 million, resulting in what many now call The Great Resignation.³ Although all demographics of employees across all industries were resigning, data now demonstrates that the largest



demographic to quit was women. This is unsurprising, considering the caregiving needs that were amplified during and after the pandemic. Many women took on the role of primary caregiver, with some spending as much as 20 hours per week performing caregiving and household duties, according to a 2020 report by McKinsey & Company and the Lean In Organization.⁴ Furthermore, a 2022 global study by Deloitte found that the resignation rate of female employees is expected to continue rising, “with 59% of nonmanagers and 64% of middle managers saying that they plan to move on within two years”.⁵

With so many more potential resignations on the horizon, is burnout to blame? And if so, what can be done about it?



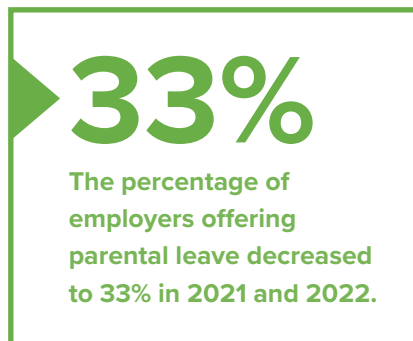
Evolving Employee Needs

Beyond burnout, employee needs have evolved and many have reshuffled their employment in pursuit of higher pay, opportunities for advancement, greater respect at work, flexible childcare needs, and better benefits, according to a Pew Research Center study on the top reasons for employee resignations.⁶ However, “better benefits” encompasses so much, that it is important to understand exactly which benefits employees are demanding most. In a 2022 survey, the Society for Human Resource Management (SHRM) identified the top three benefits employees seek are health-related benefits, retirement savings and planning benefits, and leave benefits. Leave benefits in particular saw an increase in rank among employees’ wants and needs in 2020 and remained in the top three benefits in 2022.⁷

Parental and Caregiver Leave Trends

When considering the increasing number of states passing and enacting paid family and medical leave laws and the growing need for caregiver support in the workforce, it makes sense family-care related leave benefits are top of mind for employees. For many years, employers and the market were most interested in parental leave benefits. Some employers, like the Bill and Melinda Gates Foundation, made headlines with their generous 52-week parental leave policies. Though the Foundation eventually scaled it back, at 26 weeks the benefit was still more generous than the 4 to

12 weeks that was more common among employers in 2018.^{8,9}



The 2022 SHRM survey data suggests that such headlines and attention to parental leave benefits swayed more employers to offer parental leave if they were

not already. The percentage of employers offering parental leave benefits appeared to reach its peak in 2020, with 39% of SHRM’s survey respondents offering parental leave, up from 28% in 2019.

However, employers appeared to shift priorities in 2021 and 2022: the percentage of employers offering parental leave decreased to 33% in both years. This trend is consistent with the headlines of once-generous parental leave benefits being slashed even further. For instance, Hulu announced it would cut its parental leave benefit from 20 weeks to eight.¹⁰

Parental leave is not the only type of leave employers offer. Given the caregiving needs highlighted during the pandemic, paid caregiver leave became an important benefit for employers to offer or at least consider, especially in light of the opportunity to address the needs of a multi-generational workforce. In the same SHRM survey, employers offering paid leave to care for an immediate family member was 35% in both 2020 and 2021. Similar to parental leave, there is a slight

decrease (31%) in employers offering paid caregiver leave in 2022.

On the surface, it appears as though employers are cutting back on benefits altogether. Despite the results of the SHRM survey, there are indications the market may see shifts in the coming years. Just as employee resignations are more of a reshuffling, so too are the changes in employer-provided benefits.

Despite reductions in parental and caregiver leave, consultants and

professionals at SNS find themselves engaged in constant conversations with employers about paid leave policies, specifically about caregiver leave. While adoption, or expansion, of paid caregiver leave is relatively slow compared to the explosion of parental leave benefits seen prior to the pandemic, employers are intrigued and taking a more strategic and holistic approach to ensure benefit offerings meet the evolved needs of employees in a post-reshuffling world.

The Case for Caregiver Leave

What is Caregiver Leave and Why Should Employers Offer It?


Not only are legislative factors influencing employers' decisions to offer this benefit, but workforce needs are also driving much of the conversation.




Caregiving is costly, between employees taking time off from work to care for family rather than spending it productively at work, spending on out-of-pocket expenses, and in many cases, taking unpaid absences. For employees who are caregivers, the burden of an unpaid absence on top of the costs associated with providing care for a family member proves to be stressful. Eventually, the ongoing stress can lead to burnout and even voluntary termination of employment. Some may seek other employment opportunities and “reshuffle” to another employer where the caregiving burden is relieved via more generous leave benefits or flexible work arrangements. Others, by some estimates up to 70% of those who identify as caregivers, may leave the workforce altogether.¹¹

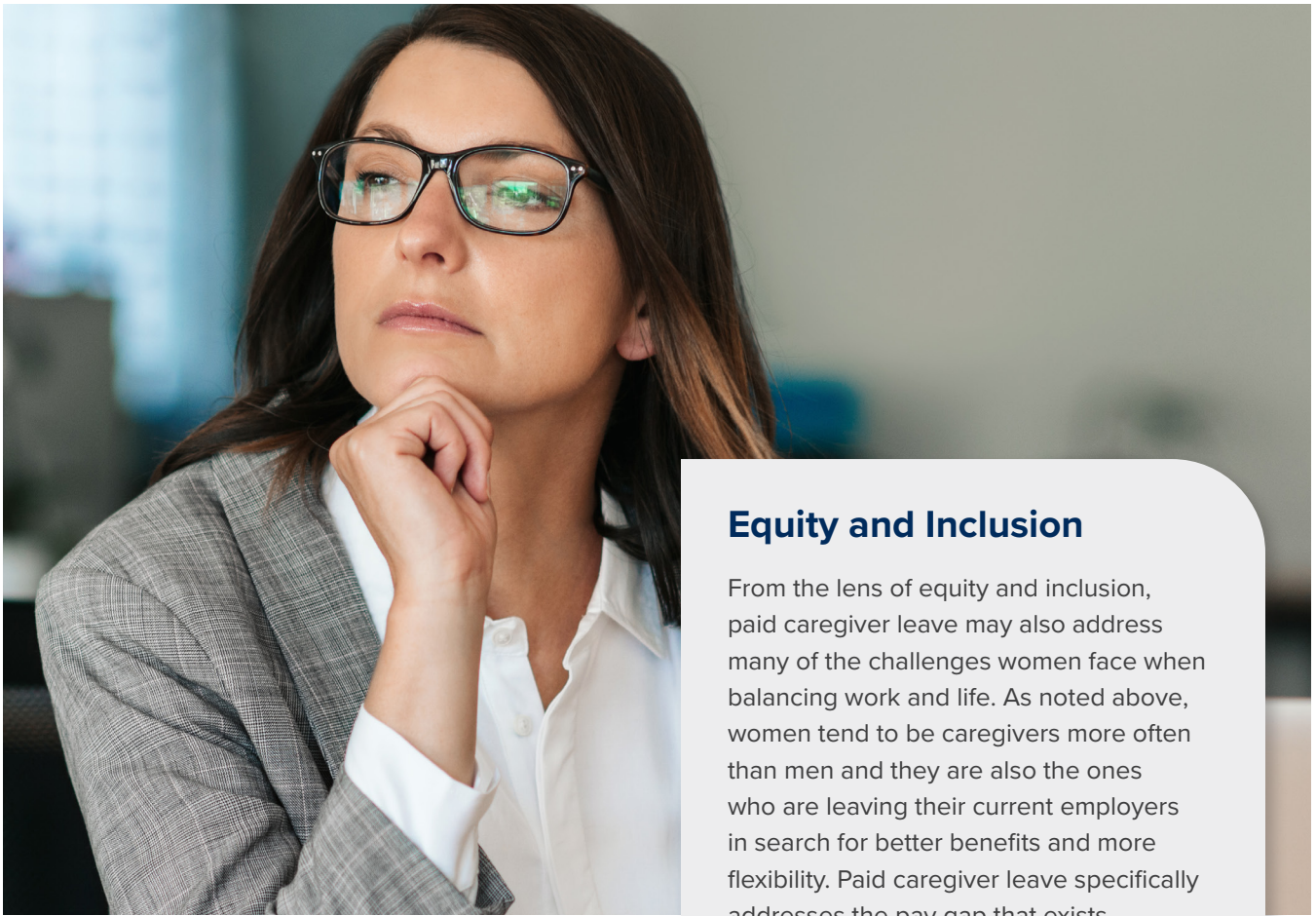
So, what can employers do to address the need? First, employers should understand who the caregivers are to better develop policies that will attract and retain those employees.

Who are the Caregivers?

According to the Pew Research Center, nearly 25% of U.S. adults are “sandwiched” between caring for their children and aging parents, many of whom are also, generationally, called “Generation X”.¹² When it comes to caregiving responsibilities, these “sandwiched” individuals, many of whom are women, often shoulder the cost burden of both time and money spent to care for family members. By some estimates, the average caregiver “provides 20 hours of unpaid work each week.”¹³ The annual out-of-pocket spend is significant as well, with some caregivers spending between \$10,000 and \$11,300 out-of-pocket per year.¹⁴ These figures are significant when considering that caregiver leave, while generally qualified under the Family and Medical Leave Act (FMLA), is unpaid unless an employer policy provides pay replacement or the employee is able to use paid time off, such as vacation or sick time.



-  **“Sandwiched” between caring for children and aging parents**
-  **Provide 20 hours of unpaid work each week**
-  **Spend between \$10,000 and \$11,300 out-of-pocket per year**



The Business Case for Caregiver Leave: Reduction in Turnover

It is difficult to measure the exact cost of turnover, The Work Institute estimates it can cost 30% of an employee's annual pay to hire and train a replacement.¹⁵ In 2021, the Work Institute estimated the total cost of voluntary turnover across all employers and industries exceeded \$700 billion following a record 47 million resignations. Paid caregiver leave may not solve for all the reasons employees may voluntarily terminate their employment, but it may mitigate some of those reasons. The data for employees who are caregivers demonstrates that many are facing burnout and may be contemplating leaving the workforce. The question employers should ask is: how much would it cost to replace that employee and how does that compare to the cost of offering a paid caregiver leave policy? It may not be cost-savings, per se, but the costs of offering a caregiver leave policy are certainly less when employers account for the potential reductions in employee turnover.

Equity and Inclusion

From the lens of equity and inclusion, paid caregiver leave may also address many of the challenges women face when balancing work and life. As noted above, women tend to be caregivers more often than men and they are also the ones who are leaving their current employers in search for better benefits and more flexibility. Paid caregiver leave specifically addresses the pay gap that exists between men and women as numerous studies, including several conducted by the National Partnership for Women and Families, have demonstrated the ways in which women's unpaid caregiving labor contributes to the lifetime pay gap. When further accounting for the fact that some employees may already have access to partially paid caregiver leave via state paid family and medical leave programs, the question of equity across the company becomes even more prominent: is it truly equitable that some employees have access to paid caregiver leave, even if partially paid, while others do not simply because of the state where they work? In sum, paid leave helps to close the gender wage gap and the gap in consistent and equitable access to paid leave company-wide.¹⁶

The Takeaway

Though not yet prevalent, Brown & Brown SNS customer and prospect inquiries into caregiver policies have steadily increased. Several customers have also undergone analyses as the first step towards implementing a program. It is only a matter of time before this benefit gains traction and prevalence on a large scale.

Now more than ever, employers must quickly adapt and provide employees with the benefits, compensation, and flexibility they seek. Employers need not provide every benefit to employees, as this is both costly and ineffective if the benefits are not aligned with what employees truly want and need. Rather, employers should seek to understand the specific needs of their employees and provide benefits that will have the greatest impact in both attracting and retaining top talent.

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