2023 The Future of Benefits

Employee benefits trends that are shaping today's workforce

Care.com for Business

If someone says in their exit interview they are leaving "to spend more time with their kids" or "have more flexibility to help with their elderly mother," jumping to the conclusion that this decision was purely personal can obscure what the company could have done to better support the employee, and what policies might have made it possible for them to stay on the job and thrive ... If you aren't convinced that your organization needs to think more deeply about its caregivers right now, consider this your wake-up call to start proactively planning for the future.[i]

- Katherine Goldstein, Harvard Business Review, 2022

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Executive Overview

During the Great Resignation of 2021 and 2022, employers were desperately courting prospective employees and wooing existing ones, relying heavily on enhanced benefits to attract and retain workers. But in 2023, faced with an economic slowdown and a return to at least a semi traditional workplace, some have been tempted to revert to old practices. Care.com's 2023 Future of Benefits survey of 500 US-based Human Resources leaders and professionals reveals that 95% are recalibrating their company's benefit strategies and 47% are trimming overall employee benefits in 2023.

95%
are recalibrating their company's benefit strategies

But in the workplace it's precisely when the courtship ends that the real work of maintaining employee loyalty, satisfaction and productivity begins. To do so, our research suggests that employers are focusing more on recalibrating than on cutting and are continuing to invest in care benefits even as they trim other costs.

That's because business leaders are most often trying to align their employee benefits strategy with the goals of increasing both retention and productivity, and many know that caregiver benefits will help them do so. In fact, 80% report that childcare benefits have a positive impact on productivity and 78% say they boost recruitment and retention.

Interestingly, this year, employer commitment to senior care benefits is outstripping support for childcare. In fact, when asked what family care benefit they'd offer to their employees if they could choose only one, senior care beat other care benefits by a considerable margin. This shift may reflect a recognition of the fact that multiple generations of workers have senior care responsibilities.

And at a time when the high price and limited availability of childcare and senior care may make the costs of working exceed the financial rewards, employers are prioritizing those benefits that help them both retain talent and optimize their working time. Benefits like office birthday celebrations, corporate retreats and gym subsidies have minimal impact on employee retention or productivity. In contrast, caregiver benefits are proven to fuel both, with corresponding improvements to the bottom line.

47%
are trimming overall employee benefits in 2023

In this report we'll examine how the current economic forecast is influencing benefits strategies in general, then delve into the plans for and business impact of both childcare and senior care benefits in particular. We'll explore employers' views on whether they should shoulder this responsibility alone or if the government should step up and help keep employees with caregiving responsibilities at work.

About this Study

In December of 2022, Care.com surveyed 500 US-based C-Suite and executive Human Resources leaders. The survey was conducted using the online survey platform, Pollfish, and compiled by DKC Analytics.

Company Size

501-1,000 employees	20%
1,001-2,000 employees	53%
Over 2,000 employees	27%

Role

Lead decision maker for employee benefits	64%
Member of the leadership team	16%
Manager with some responsibility for benefits	20%

Industry: Major industries include:

Technology	21%
Finance/Insurance/Consulting	15%
Transportation/Supply Chain/Warehousing	12%
Healthcare	10%
Manufacturing/Construction	10%

Type of Workforce (multi-select)

Professional/knowledge-based office employees	60%
Professional/knowledge-based hybrid employees	53%
Professional/knowledge-based remote employees	49%
Clerical or administrative staff	42%
Physical laborers (e.g. warehouse staff)	33%
Retail/front line/hourly workers	24%
Gig economy/contractors	23%

Age

Millennials	38%
Gen Xers	48%
Baby Boomers	14%

Gender

Men	55%
Women	45%

Economy-driven shifts in benefit strategies

In the face of inflation, warnings of an impending recession, and larger-than-usual health care premium increases in 2023, employers are understandably tightening spending across the board, including spending on employee benefits. 95% of business and HR leaders report a recalibration in their company's benefit strategies this year. And unsurprisingly, for 47% of our respondents, that change consists at least in part of trimming employee benefits, with higher-than-average planned cuts happening in the Food/Hospitality, Retail, and Manufacturing/Construction sectors.

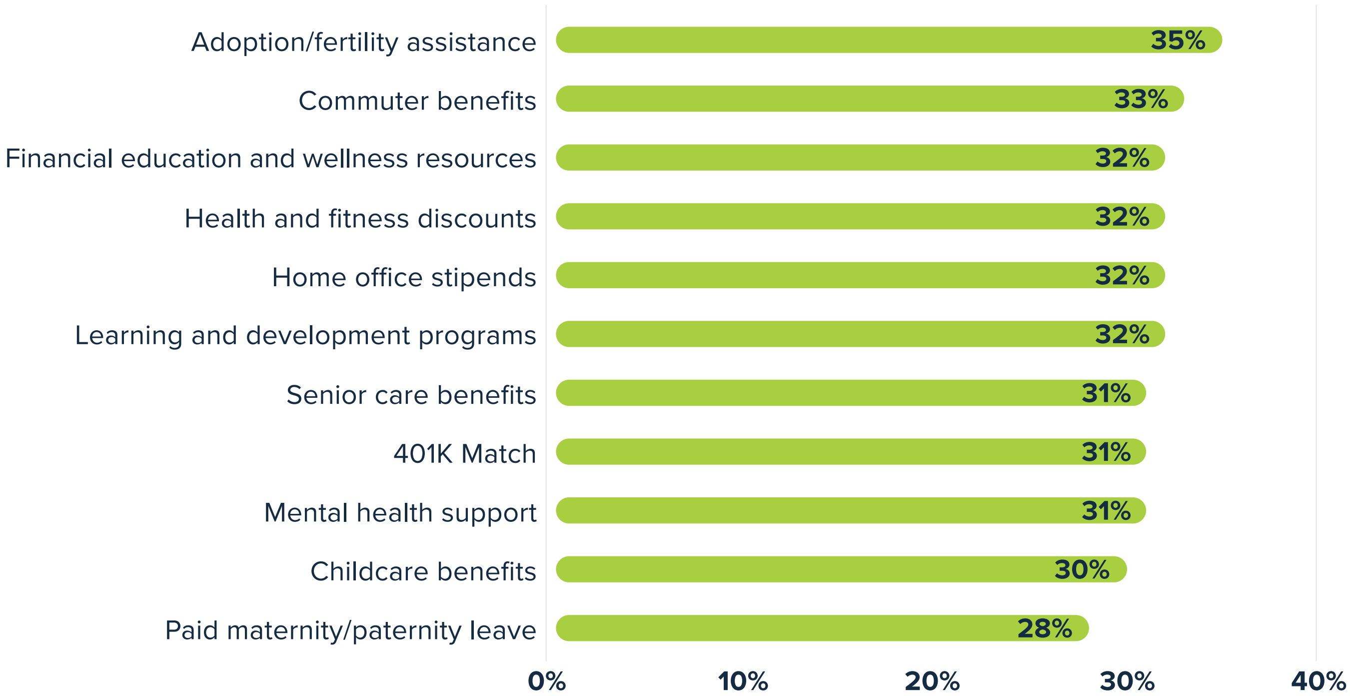
95%

report a recalibration in their company's benefit strategies this year

In contrast, only 9% of respondents are planning to expand overall employee benefits, with only respondents from Healthcare, Technology, Government/Civil Service/Non-profit, and also Retail (a more polarized industry) slightly exceeding that average.

Employers are cutting back all types of benefits pretty equally across the board, but the impact of those cuts varies dramatically. Eliminating Health and Fitness discounts, for example, is likely to have a minimal impact not just on cost, but on worker retention. In contrast, adjustments to care benefits can have a big impact on both, which is why investments in child- and eldercare support remains relatively strong. The nuanced story here is more one of recalibration—of selective trimming and funds reallocation—than of slashing and burning.

Which of the following benefits do you have plans to cut?



> *Our company will listen to our employees and improve our benefits system so that we can retain good employees.*
> *- C-Level Executive, Software Company*

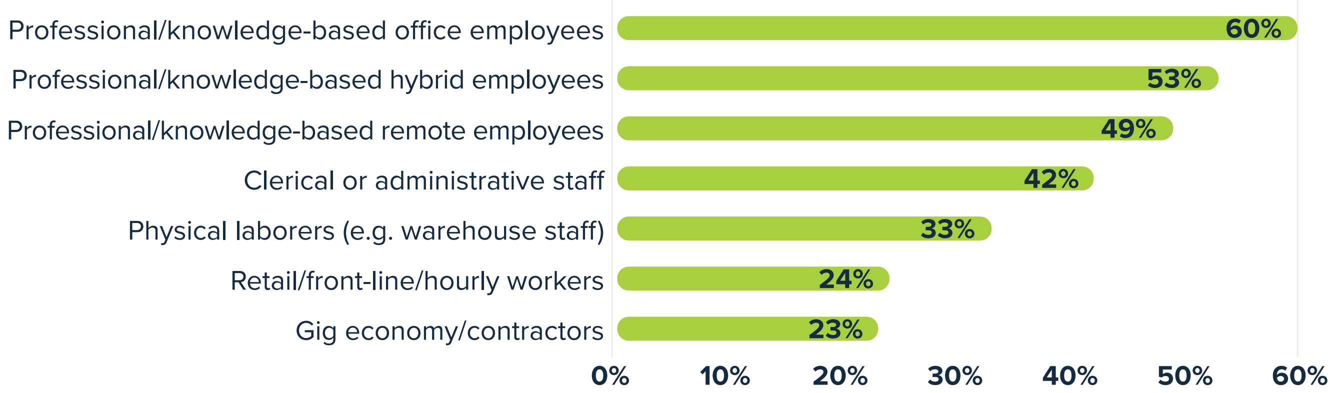
Faced with a faltering economy and an incredibly dynamic workforce, fundamental changes in HR strategy are needed. But while study respondents say that their strategies are changing, their objectives aren't. As was the case in our 2022 study, increased productivity (53%) is the primary goal of benefits programs, followed by attracting and retaining employees (49%).

However, the workforce segments that employers' benefit programs are designed to serve aren't necessarily those among whom retention and productivity are most challenged. Rather, they skew heavily in favor of professional/knowledge workers, as opposed to front-line and hourly employees.

53%
are focused on increasing productivity

49%
are focused on attracting and retaining employees

What type of workforce is your benefit strategy designed to serve?



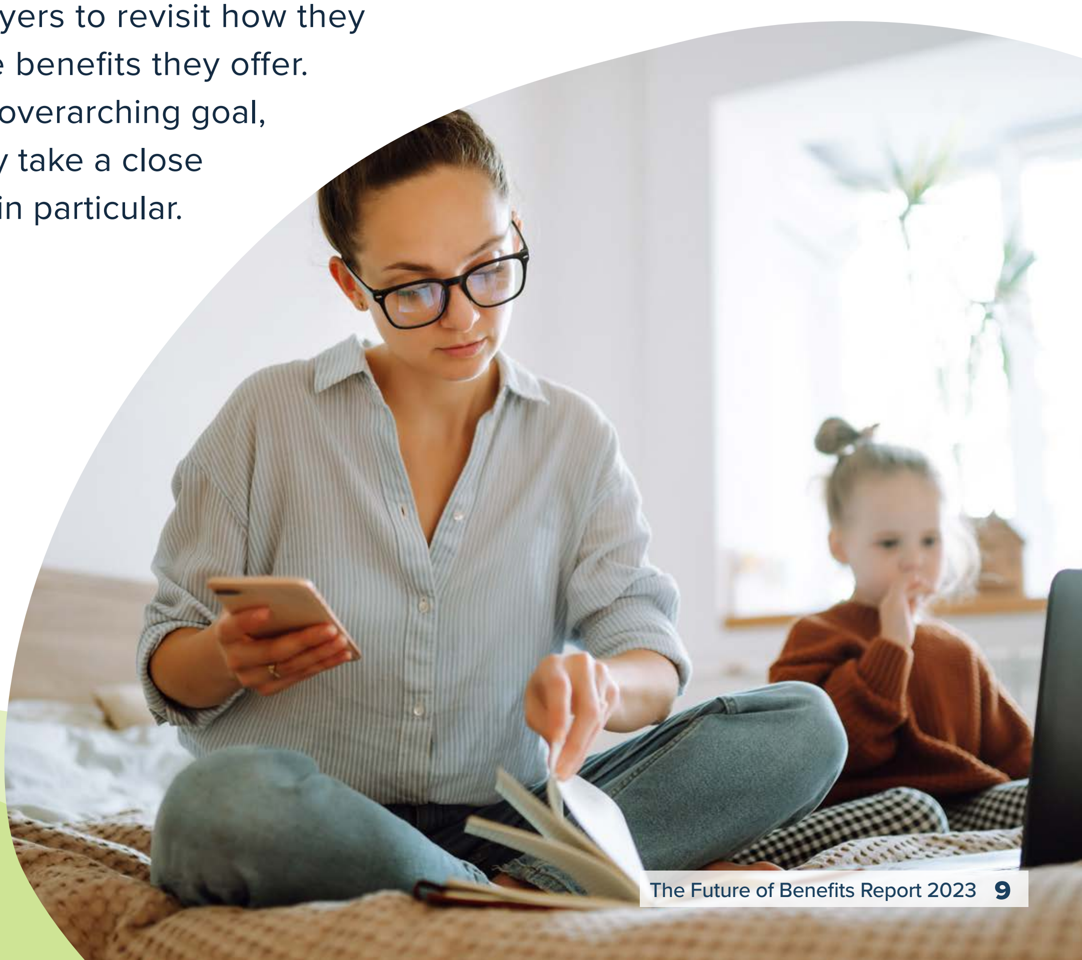
To some extent, these survey responses reflect the different types of workforces that predominate in various industries. They also reflect the competition for skilled workers, which is why 94% of our respondents pay attention to their competitors' benefit packages.

But even when we factor in differing skill requirements in different sectors, it's clear that most employers are prioritizing their full-time, generally salaried corporate employees over their front-line, generally hourly employees, despite the fact that 58% of US workers are non-exempt[ii]. For instance, even in Retail—an industry highly dependent on hourly employees—46% of respondents said their benefit strategy focused on professional/knowledge-based hybrid employees. Similarly, in Food/Hospitality, 58% concentrate on the needs of professional/knowledge-based office employees.

Whether this reflects a professional bias or a belief that it's harder to attract and retain knowledge workers, the impact is the same when it comes to the needs of working caregivers: It's the hourly and front-line workers who most need childcare and senior care benefits (particularly when last-minute replacement caregivers are needed) and are most likely to lose already sparse income without them.

94%
pay attention to their competitors' benefit packages

The time is ripe for employers to revisit how they evaluate the impact of the benefits they offer. And if productivity is their overarching goal, then this requires that they take a close look at caregiver benefits in particular.



The business impact of care benefits

> *In today's society, it is a must to keep an employee to offer some sort of monetary help for childcare, as expensive as it is.*
> *- HR Manager, Technology/Internet Company*

Employers are recognizing the strategic benefits of serving caregiver needs at both ends of the spectrum—childcare and elder care—and are recalibrating their benefit strategies and spending accordingly.

Please select the reasons your company sees strategic value in providing care benefits:

In these fiscally constrained times, this recalibration may involve overall spending cuts. But increasingly, employers are calculating the risks of inadequate caregiver benefits and the rewards of upping their support.

An estimated 50 million workers—one third of the U.S. workforce—have a child under 14 in their household[iii]. But more than one in four families with children under the age of five are still struggling to find consistent childcare[iv].

Similarly, more than one in six working Americans is already a caregiver to the elderly, and 70% of these caregivers suffer work-related difficulties[v]. And this problem will only get worse. According to the U.S. Census[vi], the 2030s will mark the first time in U.S. history that the population of people 65 and older will exceed that of people under 18.

The economic impact of these challenges is undeniable:

Reduction of women in the workforce: According to the McKinsey Global Institute, employers are potentially losing up to $840 billion in economic output due to diminished workforce participation of women—who tend to be the primary child caregivers[vii].

High attrition of working parents: Research suggests that in the past few years, nearly 20% of working parents had to leave work or reduce their work hours solely due to a lack of childcare[viii]. In a recent study, 26% of women who became unemployed during the pandemic said it was due to a lack of childcare.

Lost productivity: $3 billion in revenue is lost annually[ix] due to employee absenteeism as the result of childcare breakdowns.

Costly turnover: Turnover as a result of lack of childcare costs businesses 20% of an hourly employee's salary[x] and up to 150% of a manager's salary.

And the costs of inadequate senior care benefits are similarly staggering:

Heightened attrition. Nearly one-third of senior caregiver employees have voluntarily left a job[xi] to meet their senior caregiving responsibilities.

Reduced productivity. According to the Rosalynn Carter Institute for Caregiving, "... annually, employees lose up to $3 trillion in wages and benefits while employers lose $17-33 billion due to absenteeism and turnover.[xii]"

Legal liability. There's been a steep rise in the number of Family Responsibility Discrimination claims in the past ten years[xiii], with discrimination against working caregivers to the elderly being the second most common category of claim.

Employers are heeding these warnings. 46% of companies in our study are prioritizing childcare more in 2023 (trailing only retirement plans as the most popular benefit to prioritize this year), and 43% are prioritizing senior care benefits.

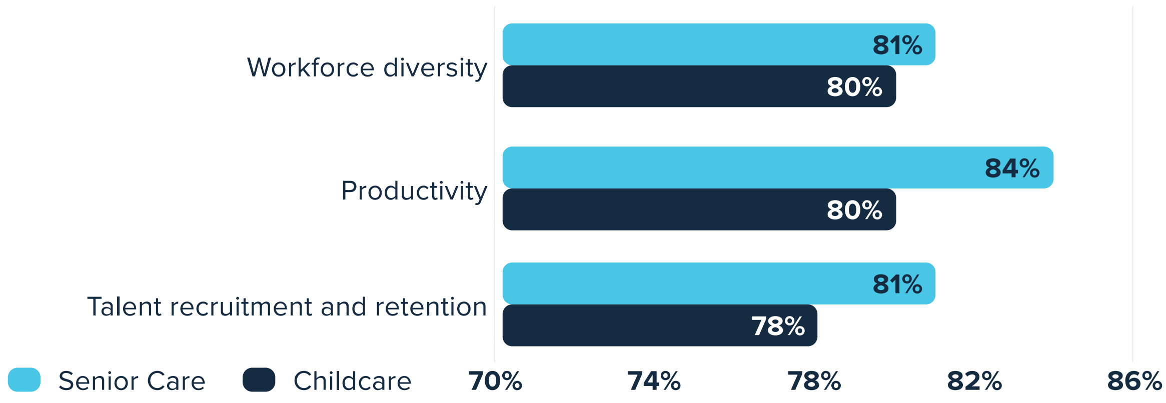
They are driven by more than fear and financial pain. The leaders in our study have sound business reasons to maintain and even expand their investment in caregiver benefits. When asked about the impact of these offerings, a great majority of our respondents reported positive results in multiple strategic areas, including productivity and recruitment and retention of talent.

In 2023...

46%
are prioritizing childcare more

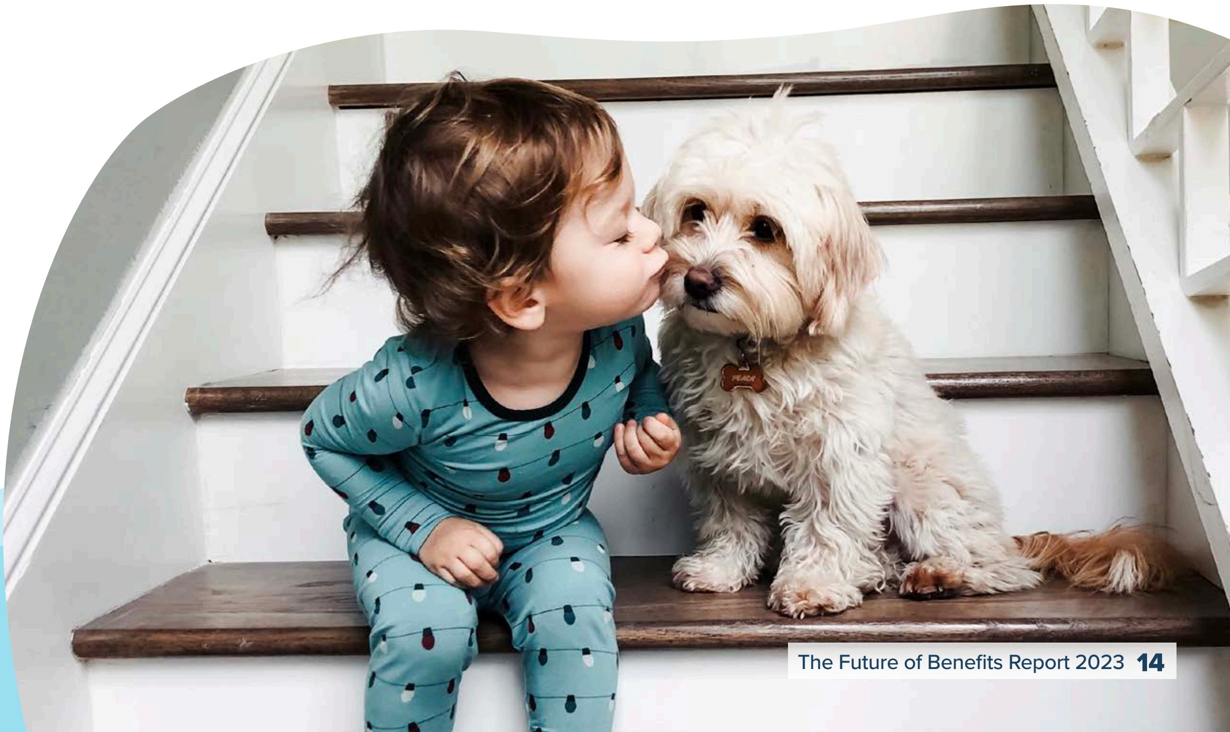
43%
are prioritizing senior care more

Family care benefits have a positive impact on:

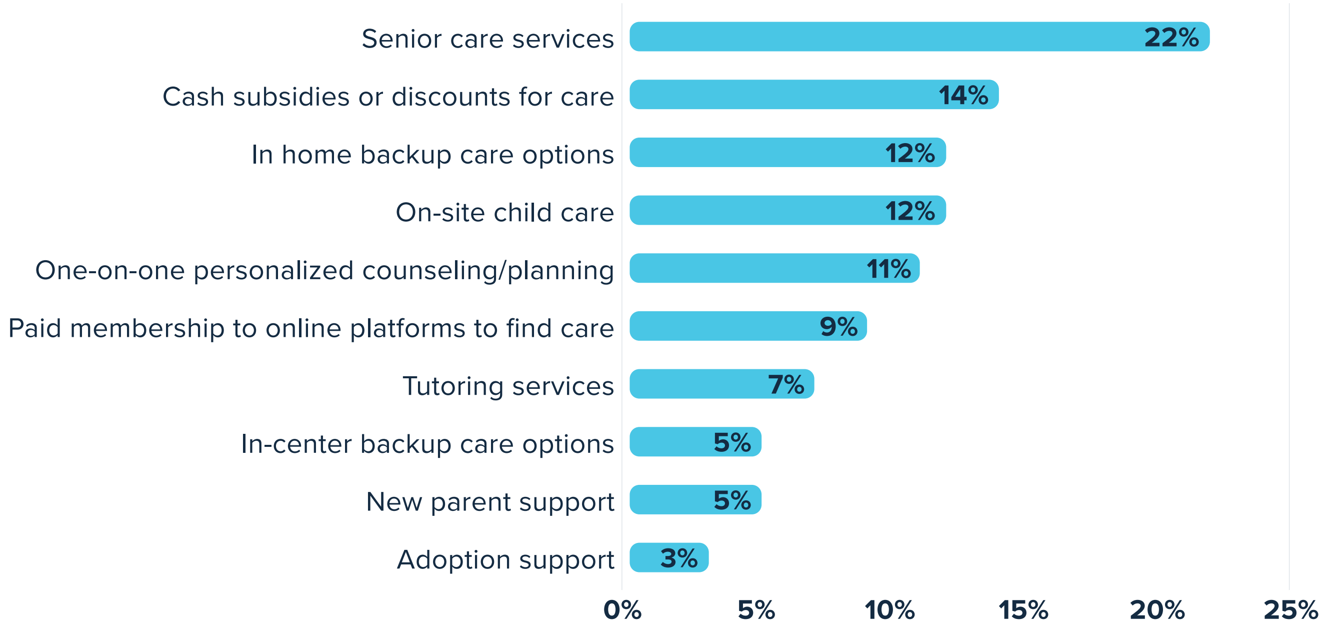


In a recent survey[xiv] of 1,000 American parents with children through age 5, 69% of female job-seekers said they'd be more likely to choose an employer who offered childcare benefits and 83% of women and 81% of men said that such benefits would play an important role in helping them decide whether to stay with a current employer. When companies provide childcare, it's estimated that job turnover can decline by 60%[xv]. That can result in significant cost-savings: Estimates of the cost to replace a minimum wage hourly worker range from $1,500 to $10,000.

Striking in this year's data is the premium employers place on senior care benefits. When asked which family care benefit they would offer to their employees if they could provide only one, respondents chose senior care benefits over others by a considerable margin.



If you could offer only one family care benefit, which would you choose?



Why this surge in interest?

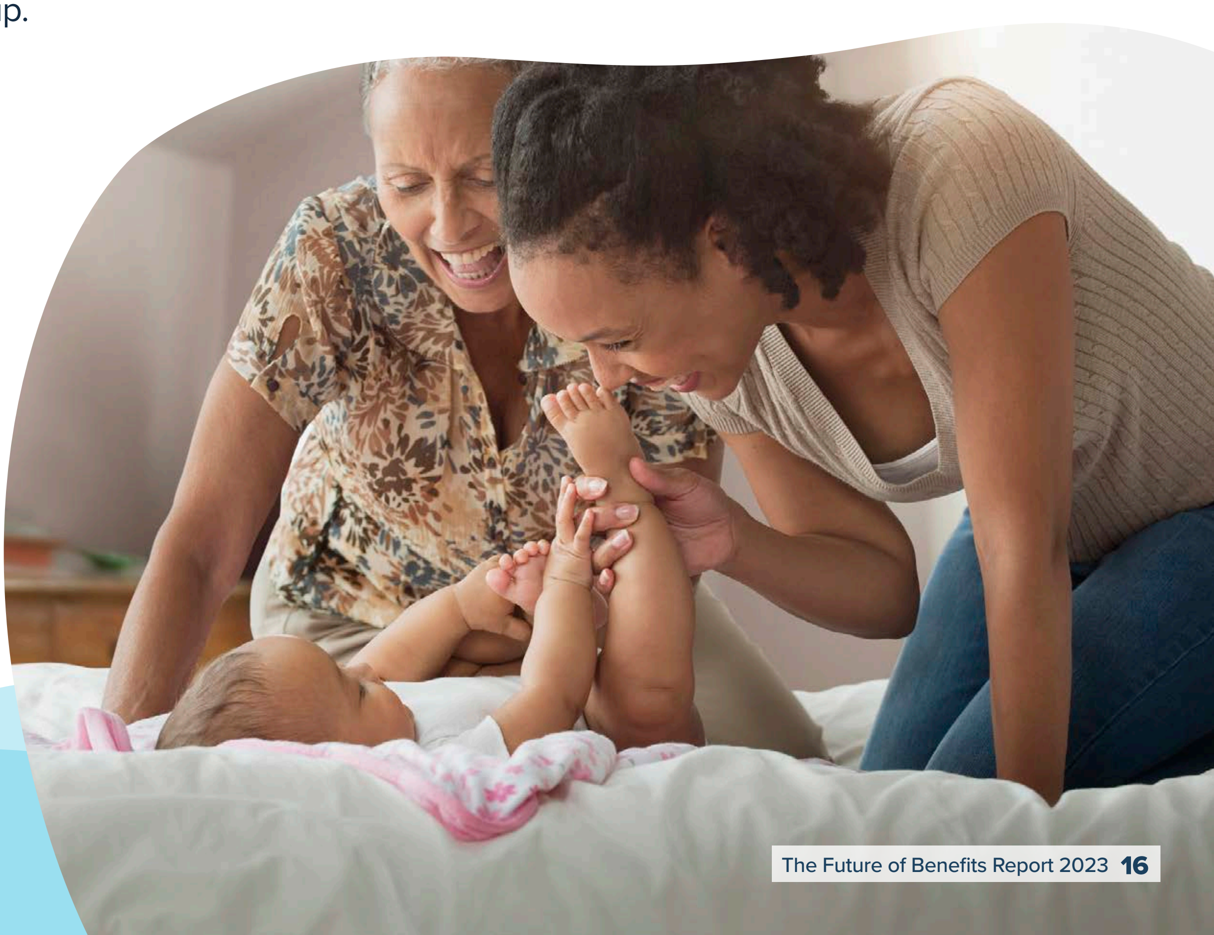
Our data shows that employers are offering benefit packages that disproportionately serve professionals and older workers, perhaps out of a heightened desire to retain seasoned staff with institutional knowledge and expertise. After all, the cost to replace this talent is enormous. According to The Society for Human Resource Management (SHRM), the average cost to replace an employee is 6 to 9 months of an employee's salary[xvi]. To replace a salaried professional making $100,000 per year, a company can end up paying $50,000 - $75,000 in recruiting and training costs.

But senior care benefits can make the difference in recruitment and hiring as well. Thirty-two percent of employers in our study say their employees are requesting senior care services, slightly outpacing request for childcare benefits (30%).

32%
say employees are requesting senior care services

These requests are a leading indicator that eldercare is not just falling on older employees. More than one in five adults are unpaid family caregivers[xvii], and these people span multiple generations. There are at least 11 million people in the "sandwich generation,[xviii]" workers caring for aging parents while also raising young children or financially supporting grown ones. And just as millennials are about to become the largest cohort in the workforce[xix], they're about to become the largest cohort within the sandwich generation. Forty percent of millennials have been caring for an elderly parent during the health crisis, compared with 34% of Gen Xers and 13% of Boomers[xx].

While employers are leaning into senior care benefits this year, they've yet to fully appreciate multi-generational demand for these benefits among their employees. Only 35% of the respondents in our study considered senior care benefits/support to be especially important to parents of school aged children, and only 28% recognized the need among parents whose kids are entering college. But the fact is that 60% of first-time caregivers are Gen Z or millennials,[xxi] and the toll this takes on Gen Z is especially acute because their employers don't expect them to be caring for elderly family members. In a recent study, 71% indicated that they don't feel adequately supported by their employer and 70% worry that they'll lose their job due to their caregiving responsibilities, more than any other age group.



If employers are slow to recognize the eldercare needs of younger employees, this is not just a function of obsolete assumptions. It's also because while employers can quickly glean how many employees they have with dependent children via W-2s and health insurance enrollments, they have no automatic way to get that information about workers caring for older relatives. No way, that is, except to systematically ask.

But though they may be vulnerable to tunnel vision in defining who is likely to be caring for an elderly relative, employers are demonstrating intensified commitment to the caregivers of all ages in their workforce. They are doing so not only in the benefits they offer, but in policies and culture change. 81% report an increased tolerance and flexibility for employees caring for family members. At least some are seeing positive results from doing so. As the HR manager of a Technology/Internet company told us, "I am seeing now that people staying home with their elderly family members can also be productive and do a good job."

81%
report increased tolerance for employees caring for family members

And if employers can't raise wages or curb inflation, they recognize that they can at least help workers cope with it, most notably by helping to reduce employees' living costs, such as through discounted care programs or subsidized backup care. In addition, 86% are considering increasing financial wellness benefits designed to help employees become more financially savvy.

> *Senior care benefits are necessary as a safeguard for older workers.*
> *- HR Manager, Legal Services Company*

It takes two: Business and government must play a role

We are going to persuade the government to help invest in childcare benefits.

- President/CEO, Consulting/Legal Services

The history of employer-sponsored childcare benefits in America has been a long, slow trudge uphill. Over the years companies have gone from being wholly uninvolved with their employees' childcare needs, to waiting for government action, to finally taking matters into their own hands and offering at least modest childcare benefits.

This wait-and-see approach is being echoed in some employers' position on senior care benefits. When we asked business and HR leaders how their views of this type of offering were evolving in response to changing workplace dynamics (e.g. hybrid workers, reductions in force, etc.), a few responded that they were holding off on expanding benefits until they knew what government policy would be.

42% say that government should have the primary responsibility for funding care-related employee benefits

But many more employers, both in our study and in the world at large, are now taking a more proactive stance, lobbying state and federal government to be their partners in addressing working caregivers' needs. Indeed, 42% say that government should have the primary responsibility for funding care-related employee benefits. And regardless of who has primary responsibility, workers would likely welcome their employers pressing for more government support. When asked what benefits and policies their employers could offer to improve their work/life happiness, 36% of the working mothers responding to a Mom's Hierarchy of Needs'[xxii] 2022 survey cited "Corporate lobbying for government social benefits programs (e.g. government support for day care centers and workers, child tax credits, free pre-K, free community college, etc.)."

Meanwhile, employers are taking advantage of whatever state and federal support is available. 96% are aware of the Employer-Provided Child Care tax credit, and 75% say that they use it. Of those who know about but don't use the tax credit, 89% say they would if the credit was broadened to include more types of childcare (e.g. babysitters, small home care providers). The fact that 68% of our respondents favor flexible childcare benefits (while just 16% favor on-site childcare) adds data-fueled support to the notion that employers would welcome an expansion of the current tax credit.

Among those employers who don't currently offer childcare benefits, 83% say they would be likely to do so if they could offset their costs with a tax credit. This response – most prevalent within the Retail and Manufacturing/Construction sectors – suggests not only that the current tax credit should be broadened, but that the government must do an even better job of educating employers about it.

83%
would offer childcare benefits with more government support

However, federal tax credits are only one piece of the puzzle. Creative solutions to subsidizing both childcare and senior care can be found at the state level as well. For example, in California and Massachusetts, employers pay into a fund that workers can then tap into for any type of caregiving, including children, spouses, elderly family members.

The crisis for working caregivers is real and growing, with profound financial costs not just for workers and employers, but also for society as a whole.

But crisis breeds opportunity. The Depression gave rise to the New Deal. And from 1943-46, the Lanham Act, which provided federal grants or loans for war-related infrastructure projects, provided $20 million ($1 billion in today's dollars) for child-care facilities so that women employed in defense-related industries could go to work.

State and federal support is essential to meet working caregivers' needs. Employers cannot go at it alone. But they can and must take the lead, partnering with government to make business not just viable, but humane.

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