

| | | | | |
|--|---|--|--|--|
| Title: Consultation on entitlement to Carer's Leave IA No: RPC Reference No: RPC-4355(1)-BEIS Lead department or agency: Department for Business, Energy and Industrial Strategy Other departments or agencies: | Impact Assessment (IA) | | | |
| | Date: March 2020 | | | |
| | Stage: Development | | | |
| | Source of intervention: Domestic | | | |
| | Type of measure: Primary legislation | | | |
| Contact for enquiries: Abigail.dow@beis.gov.uk | | | | |

Summary: Intervention and Options **RPC Opinion:** RPC Opinion Status

Cost of Preferred (or more likely) Option (in 2016 prices)

| Total Net Present Social Value | Business Net Present Value | Net cost to business per year | Business Impact Target Status |
|--------------------------------|----------------------------|-------------------------------|-------------------------------|
| £m | £m | £m | Qualifying provision |

What is the problem under consideration? Why is government intervention necessary?
 The Family Resources Survey (FRS 2016/17) estimates there to be 5.4 million informal carers across the UK.¹ The number is likely to rise in the future with an ageing society driving greater demand for care. This presents considerable challenges to carers, both in and out of employment. There is extensive evidence showing that informal care is associated with leaving employment, a reduction in hours worked and employment effects such as taking on less senior roles, disruptions to working patterns and absenteeism². There is also a Conservative manifesto commitment to introduce a week of leave for unpaid carers as a statutory entitlement.

What are the policy objectives and the intended effects?
 The proposed introduction of an entitlement to Carer's Leave aims to:

- Help support carers to balance their employment and caring responsibilities, giving them more time and space to do the other things they value, outside work.
- Allow employers to recruit from the widest possible talent pool and make the most of human resources available to them.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
 Option 1: Do Nothing
 Option 2 (Legislative): Create an entitlement to unpaid Carer's Leave, allowing carers to take an entitlement of 1 week of leave per year, as a) a single block of one whole working week, or, b) as individual days or half-days, up to one whole week.

Will the policy be reviewed? It will/will not be reviewed. **If applicable, set review date:** Month/Year

| | | | | | |
|---|--|------------------------|------------------------|-------------------------|------------------------|
| Does implementation go beyond minimum EU requirements? | | Yes / No / N/A | | | |
| Is this measure likely to impact on international trade and investment? | | Yes / No | | | |
| Are any of these organisations in scope? | | Micro Yes/No | Small Yes/No | Medium Yes/No | Large Yes/No |
| What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent) | | Traded: | | Non-traded: | |

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible: _____ Date: _____

¹ Census 2011 / FRS 2015/16

² Brimblecombe, Nicola, et al. "Unpaid care in England: future patterns and potential support strategies." (2018).

Summary: Analysis & Evidence

Policy Option 2a

Description:

FULL ECONOMIC ASSESSMENT

| | | | | | |
|-------------------------|----------------------|-------------------------|---------------------------------------|----------------|-----------------------|
| Price Base Year 2018 | PV Base Year 2021 | Time Period Years 10 | Net Benefit (Present Value (PV)) (£m) | | |
| | | | Low: Optional | High: Optional | Best Estimate: -252.8 |

| COSTS (£m) | Total Transition (Constant Price) Years | Average Annual (excl. Transition) (Constant Price) | Total Cost (Present Value) |
|---------------|--|---|-------------------------------|
| Low | Optional | Optional | Optional |
| High | Optional | Optional | Optional |
| Best Estimate | 44.7 | 32.0 | 252.6 |

Description and scale of key monetised costs by 'main affected groups'

One-off Costs (central estimates): Employer Familiarisation (£4.5m)

Recurring (central estimates):

Employer: Reorganisation costs (£15.4m), Admin costs (£3.4m)

Other key non-monetised costs by 'main affected groups'

| BENEFITS (£m) | Total Transition (Constant Price) Years | Average Annual (excl. Transition) (Constant Price) | Total Benefit (Present Value) |
|---------------|--|---|----------------------------------|
| Low | Optional | Optional | Optional |
| High | Optional | Optional | Optional |
| Best Estimate | | | |

Description and scale of key monetised benefits by 'main affected groups'

Other key non-monetised benefits by 'main affected groups'

Carers eligible will benefit from having greater flexibility in how they support those in need in care. This could lead to improved health and social outcomes, such as feeling less stressed. Those receiving care are likely to benefit from better care outcomes. Employers will benefit from having a more committed and engaged workforce alongside reputational benefits from providing an entitlement to leave. In addition, further benefits will flow from employee retention and will benefit from lower recruitment and training costs. The wider economy may also profit from higher tax receipts from informal carers remaining in the labour market for longer.

Key assumptions/sensitivities/risks

Discount rate (%)

Considerable degree of uncertainty around the take-up assumptions, and deadweight assumptions. There is also uncertainty in the assumptions on how employers manage employee absence over long periods of time.

BUSINESS ASSESSMENT (Option 1)

| | | | |
|---|-----------|-----------|--|
| Direct impact on business (Equivalent Annual) £m: | | | Score for Business Impact Target (qualifying provisions only): £110.7m |
| Costs: 29.3 | Benefits: | Net: 29.3 | |

Summary: Analysis & Evidence

Policy Option 2b

Description:

FULL ECONOMIC ASSESSMENT

| | | | | | |
|-------------------------|----------------------|-------------------------|---------------------------------------|----------------|-----------------------|
| Price Base Year 2018 | PV Base Year 2021 | Time Period Years 10 | Net Benefit (Present Value (PV)) (£m) | | |
| | | | Low: Optional | High: Optional | Best Estimate: -465.5 |

| COSTS (£m) | Total Transition (Constant Price) Years | Average Annual (excl. Transition) (Constant Price) | Total Cost (Present Value) |
|---------------|--|---|-------------------------------|
| Low | Optional | Optional | Optional |
| High | Optional | Optional | Optional |
| Best Estimate | 44.7 | 49.4 | 463.7 |

Description and scale of key monetised costs by 'main affected groups'

One-off Costs (central estimates): Employer Familiarisation (£4.5m)

Recurring (central estimates):

Employer: Reorganisation costs (£40.6m), Admin costs (£8.8m)

Other key non-monetised costs by 'main affected groups'

| BENEFITS (£m) | Total Transition (Constant Price) Years | Average Annual (excl. Transition) (Constant Price) | Total Benefit (Present Value) |
|---------------|--|---|----------------------------------|
| Low | Optional | Optional | Optional |
| High | Optional | Optional | Optional |
| Best Estimate | | | |

Description and scale of key monetised benefits by 'main affected groups'

Other key non-monetised benefits by 'main affected groups'

Carers eligible will benefit from greater flexibility in how they support those in need in care. This could lead to improved health and social outcomes, such as feeling less stressed. Those receiving care are likely to benefit from better care outcomes. Employers will benefit from having a more committed and engaged workforce alongside reputational benefits from providing an entitlement to leave. In addition, further benefits will flow from employee retention and will benefit from lower recruitment and training costs. The wider economy may also profit from higher tax receipts from informal carers remaining in the labour market for longer.

Key assumptions/sensitivities/risks

Discount rate (%)

Considerable degree of uncertainty around the take-up assumptions, and deadweight assumptions. There is also uncertainty in the assumptions on how employers manage employee absence over long periods of time.

BUSINESS ASSESSMENT (Option 2)

| | | | |
|---|-----------|-----------|---|
| Direct impact on business (Equivalent Annual) £m: | | | Score for Business Impact Target (qualifying provisions only) : £203.2m |
| Costs: 53.9 | Benefits: | Net: 53.9 | |

Evidence Base (for summary sheets)

Problem under consideration

1. Unpaid carers are ‘individuals who look after close family members, friends, neighbours or others because of long-term physical or mental ill health or disability, or care needs related to old age’¹, whereby the care is unpaid. Unpaid care encompasses a range of different activities, which vary from providing emotional support to everyday activities such as helping with the shopping and providing medication². Furthermore, such care is usually not provided as part of a paid job. As the UK population ages with people living longer³ and with more complex care needs it is expected that the provision of unpaid care will increase over time. The 2011 Census found that there were approximately 5.8 million people providing unpaid care in England and Wales⁴, up from 4.8 million in 2001⁵.
2. Whilst carers provide a vital support function in caring for individuals close to them, there is a wide body of evidence showing the negative impact of caring upon employment as carers face difficulties in combining paid work with caring responsibilities. Informal carers are less likely to be in employment compared to all adults or non-carers and this is especially true for full-time employment. The Family Resource Survey (FRS) 2016/17 shows that 53% of all adult informal carers were in employment, compared to 61% of all adults. Adult informal carers are less likely to be in full-time employment (35%) compared to all adults (46%). Previous research by the OECD⁶ on the impact of caring across 35 countries found that caregiving resulted in reducing working hours in most countries. For the UK, the report found that care intensity, across all types of (10 hours, 10-19 or 20 or more hours per week), was linked with a reduction in hours worked, albeit less so for carers providing fewer than 10 hours of care a week. A longitudinal study of the employment status of carers in England found that those who started caring for at least 10 hours per week in their fifties were significantly less likely to be in employment two years later compared to non-carers.⁷
3. The intensity of care is a key determinant of whether carers remain in employment, with previous research suggesting that there is a negative relationship between the caring intensity and labour force participation⁸. Much of the literature on unpaid care suggests there is a threshold beyond which caring responsibilities adversely affect employment. The OECD study also found that for carers providing at least 20 hours of care per week that increasing hours of care by 1% resulted in carers being more likely to stop working by 10%. This has important ramifications for public finances if carers feel they have no choice but to leave the labour market. A UK study estimated that 345,000 carers had left employment in 2011 due to caring commitments⁹. The paper also estimated public expenditure costs of carers of leaving work in England to be approximately £2.9 billion per year, made up £1.2 billion in tax revenue on lost earnings and approximately £1.7 billion on social security benefits now paid to carers who have left employment.¹⁰
4. In working fewer hours carers may also face a drop in their earnings, which could be compounded by a rise in expenditure owing to the additional costs of caring, such as higher utility bills, transport costs and spending more on care services.¹¹ The combined effect of less income and higher costs of

¹ <https://consultations.dh.gov.uk/carers/how-can-we-improve-support-for-carers/>

² FRS 2016/17

³ <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2016basedstatisticalbulletin#changes-since-the-2014-based-projections>

⁴ ONS (2011), Census 2011, <https://www.nomisweb.co.uk/census/2011/qs301uk>

⁵ ONS (2001), Census 2001, <https://www.nomisweb.co.uk/census/2001>

⁶ Francesca, Colombo, et al. *OECD health policy studies help wanted? Providing and paying for long-term care: providing and paying for long-term care*. Vol. 2011. OECD Publishing, 2011.

⁷ King, Derek, and Linda Pickard. "When is a carer's employment at risk? Longitudinal analysis of unpaid care and employment in midlife in England." *Health & Social Care in the Community* 21.3 (2013): 303-314.

⁸ Heitmueller, Axel. "The chicken or the egg?: Endogeneity in labour market participation of informal carers in England." *Journal of health economics* 26.3 (2007): 536-559.

⁹ Pickard, Linda, et al. "Public expenditure costs of carers leaving employment in England, 2015/2016." *Health & social care in the community* 26.1 (2018): e132-e142.

¹⁰ This is broken down as follows: £540m in Income Support, £780m in Housing Benefit, £360m in Carer's Allowance

¹¹ Carers UK (2015), State of Caring 2015, <https://www.carersuk.org/for-professionals/policy/policy-library/state-of-caring-2015;>

caring may lead to carers being more likely to suffer financial hardship than those without caring commitments. Research commissioned by the Joseph Rowntree Foundation examining poverty levels among carers between 2011/12 and 2013/14, estimated that 1.2 million carers were in poverty based on income after housing costs and excluding disability benefits)¹². Overall, poverty rates were slightly higher for carers than non-carers but markedly higher for those providing more than 20 hours of care per week, highlighting how high intensity carers are more likely to run into financial hardship more than those with little or no caring commitments.

5. Carers may see their own health and wellbeing suffer whilst providing care for others. The 2011 Census found that the general health of carers deteriorated with an increase in hours of care provided, for example 5.2% of carers reporting their own health as 'not good', rising to almost 16% for those caring for more than 50 hours per week. In a survey of unpaid carers across England¹³, the most common effects of caring upon the carer's health included feeling tired (34%) and stressed (29%). As expected, these results were more pronounced for those who spent more time caring per week. For those caring at least 20 hours per week, 47% reported feeling tired and 38% stressed. One study examining a cohort of unpaid carers across ten European countries over an eight-year period found that the provision of unpaid care was significantly linked with poor mental and physical health, even after accounting for socio-economic status such as age, education level and the health condition of the carer in earlier years.¹⁴
6. Across the UK, there are various support services available to help carers balance their caring responsibilities and their employment. The right to request flexible working was first introduced in the UK in 2002. In 2014, the right was extended to all employees (beyond parents and carers), who have at least worked continuously for the same employer for the last 26 weeks. The Fourth Work-Life balance survey found that 48% of full-time carers worked flexibly, compared to 39% of non-carers.¹⁵ There is some evidence to suggest that flexible working could help mitigate the negative impact of caring on employment and lowered the chances of reduced hours of work for carers in Australia and the UK¹⁶. However, the literature also finds that some carers are wary of taking advantage of flexible working arrangements in fear of being thought as a 'weak' employee¹⁷. However, this research was carried out prior to the extension of flexible working to all employees with at least 26 weeks continuous service in 2014, helping to normalise flexible working. Furthermore, Government has been working alongside business groups and charities to encourage employers to advertise jobs as flexible through the Flexible Working Task Force.¹⁸ Lastly, the literature suggests that while flexible working might be useful to informal carers with lower care requirements, this may not be enough to help high intensity carers, who are more likely to drop out of the labour market entirely than work part-time¹⁹.
7. Existing entitlements do not allow Carers to take time off to deal with planned care episodes. Employees have the right to a 'reasonable' amount of time off work to deal with an emergency involving a dependant²⁰. 'Reasonable' is defined by the employer, and the length of time allowed is typically determined through negotiation. One or two days is considered sufficient in most cases. The leave is designed for unforeseen circumstances such as illness, injury or assault, or having a baby. It is not designed to be used for planned situations e.g. accompanying a child to a hospital appointment.

¹² https://www.npi.org.uk/files/2114/6411/1359/Carers_and_poverty_in_the_UK_-_full_report.pdf

¹³ Survey of Carers in Households, 2009/10

¹⁴ Hiel, Laura, et al. "Providing personal informal care to older European adults: Should we care about the caregivers' health?" *Preventive medicine* 70 (2015): 64-68.

¹⁵ Tipping, Sarah, et al. "The fourth work-life balance employee survey." (2012).

¹⁶ Francesca, Colombo, et al. OECD health policy studies help wanted? Providing and paying for long-term care: providing and paying for long-term care. Vol. 2011. OECD Publishing, 2011.

¹⁷ Arksey, Hilary, et al. Carers' Aspirations and decisions around work and retirement. Vol. 290. Corporate Document Services, 2005.

¹⁸ <https://www.cipd.co.uk/about/media/press/flexible-working-taskforce>

¹⁹ Francesca, Colombo, et al. OECD health policy studies help wanted? Providing and paying for long-term care: providing and paying for long-term care. Vol. 2011. OECD Publishing, 2011.

²⁰ This could be a spouse, partner, child, grandparent, parent or someone who depends on care

Rationale for intervention

8. Whilst many carers combine their caring and work commitments, it can be difficult to manage both commitments and could detrimentally affect carers' health and wellbeing as well as their employment outcomes. With population ageing, the need for care will rise. We can expect a larger proportion of the working population to provide care to a family member or dependent, and potentially for a longer time period. The adverse impacts on health and employment that many unpaid carers experience are likely to affect a larger population of people as society ages. Unpaid carers provide vital support to individuals close to them in need of care, and absence of their help could impose a large burden on the social care system. ONS analysis found that unpaid carers provide social care equivalent to £57 billion to the economy.²¹
9. Government intervention to provide a minimum statutory provision for Carer's Leave would see societal benefits in carers being able to maintain their caring commitments, whilst maintaining their attachment to the labour market. Economic theory suggests that if the decision to offer Carer's Leave was left to employers, a positive externalities market failure would result; individual employers would not provide socially optimal levels of leave as they would only consider the private benefits rather than the wider societal benefits associated with higher economic output, tax revenue and improved health outcomes. The same argument applies when an individual makes a choice in whether to work, care or combine both; there are indeed private benefits from being in employment, through higher earnings and future pension contributions, but an individual may not consider the wider social benefits when making the decision to leave the labour market.
10. The Government wants to support unpaid carers that choose to remain in employment and improve the lives of these carers by introducing a new entitlement to Carer's Leave. Remaining in work is significant for long-term financial security, and helps informal carers maintain a sense of identity and social connection. A leave entitlement would help carers in managing the competing demands they face and give them additional leave each year to provide care for family members or other dependants. Brimblecombe et al²² find evidence that care leave has a positive impact on employment, particularly in combination with flexible working practices. Pavalko and Henderson²³ find that carers in the US with access to unpaid family leave were more likely to remain in employment than carers who were unable to access the leave. We hope that access to Carer's Leave will reduce the risk of situations where leaving work is seen as the only choice for informal carers.
11. Whilst there are existing family related leave policies for parents to care for their child, no such entitlement exists for an individual to provide care to those close to them aged over 17. Similarly, there are existing provisions to help individuals deal with short term emergencies and longer-term care commitments in the form of time off for family and dependants²⁴ and the right to request flexible working²⁵. However, these provisions do not cover all caring scenarios. For example, where a short period away of work is needed for transitional events. A week of unpaid leave would allow employees to take time off to tend to those in need and avoid the use of their annual leave entitlement²⁶. The new entitlement seeks to build on existing rights, giving carers more flexibility in how they combine their work and care responsibilities.
12. Employees providing unpaid care that drop out of the labour market can represent a significant cost to businesses, arising from the time and money investment in these employees and the loss of built

²¹<https://www.ons.gov.uk/economy/nationalaccounts/satelliteaccounts/compendium/householdsatelliteaccounts/2005to2014/chapter3homeproducedadultcareservices#gross-value-added-of-informal-adult-care>

²² Brimblecombe, Nicola, et al. "Unpaid care in England: future patterns and potential support strategies." (2018).

²³ Pavalko, E. K. & Henderson, K. A. (2006). Combining care work and paid work: Do workplace policies make a difference? Research on Aging 28(3): 359–374

²⁴ <https://www.gov.uk/time-off-for-dependants>

²⁵ <https://www.gov.uk/flexible-working>

²⁶ <https://www.carersuk.org/for-professionals/policy/policy-library/the-case-for-care-leave>

up skills and knowledge. Replacing these workers may result in further costs related to recruitment and training. In addition, supporting carers in managing their care and work responsibilities could boost staff retention and yield productivity gains for employers.

13. There is also evidence from the Family Resource Survey (FRS) of gender inequality in the provision of unpaid care²⁷ showing that women aged 55-64 years are most likely to be carers and more likely than men to provide informal care across all age groups, except for age group 85 and older. Previous research has shown that women in their fifties are more likely to leave the labour market to provide unpaid care for family members than men. The fact that women are more likely to provide care means that they are more likely to face adverse employment effects associated with caring i.e. lower earnings and leaving the labour market. The evidence above also shows the high likelihood of women leaving the workforce as they approach retirement; maintaining workforce attachment would allow carers to contribute more to their pension.
14. Furthermore, introducing an entitlement to Carer's Leave would help ensure the Government is delivering on its commitments. The development of a leave option for carers would meet the promise to introduce a statutory entitlement to Carer's Leave outlined in the 2019 Conservative Manifesto.²⁸

Policy Objective

15. Providing an entitlement to Carer's Leave would:

- Help support carers to balance their employment and caring responsibilities, giving them more time and space to do the other things they value outside work.
- Allow employers to recruit from the widest possible talent pool and make the most of human resources available to them.

Options Identification

Option 1 - Do nothing

16. This option would involve maintaining the status quo, where the decision to offer carers time off for work to juggle care and work responsibilities would be at the discretion of employers. This means that, at present, carers across the labour force have different leave policies dependent on their place of employment. Choosing to 'do nothing' would do little to help carers remain in the workplace for longer and address the financial concerns associated with caring. Carers would also continue to rely on annual leave or sick days to manage their care responsibilities at detriment to their own physical and mental well-being. This option would also not deliver the manifesto commitment to introduce a leave entitlement for carers.
17. The Government seeks to introduce an entitlement to unpaid Carer's Leave alongside other non-legislative policies for carers. The Government is already pursuing several voluntary initiatives to support carers through the Carer's Action plan²⁹. With the aim of helping carers stay in work, the Government has been working with Business in the Community to share best practice of carer policies and practices. In addition, the Department of Health and Social Care (DHSC) have been working closely with Employers for Carers to develop a scheme that allows businesses to measure the level of support they provide to carers. As part of the programme, there are further plans to roll out the scheme to all employers. These initiatives will support carers but will fail to address disparities in care leave provision across different companies.

Option 2 – Introduce a statutory entitlement to Carer's Leave

²⁷ FRS 2016/17

²⁸ <https://www.conservatives.com/manifesto>

²⁹ <https://www.gov.uk/government/publications/carers-action-plan-2018-to-2020>

18. This option would require primary legislation.
19. Carers have a key role to play in both the labour market and wider society. The Government firmly believes that carers should be supported in having the time to manage their care responsibilities without worrying about their employment prospects. Academic research has shown that that statutory leave can have a positive impact on employment outcomes especially when combined with flexible working practices³⁰ and would better ensure that carers are given rights to care for those closest to them as parents do for their children. Whilst carers may be able to access existing support such as flexible working³¹ and time off for dependants, these are less suited to address care needs which go beyond single/half days of leave. Furthermore, it could be possible that an individual may start off with low intensive caring responsibilities only for these to intensify over time as the care condition deteriorates, necessitating the need for a longer period away from work. In this case, flexible working may not be a sufficient policy solution to address the needs of all unpaid carers.
20. This option would require regulatory change to entitle informal carers in employment to a statutory right to Carer's Leave, helping them achieve a better work-life balance. The Women and Equalities Select Committee have previously recommended the introduction of five days of paid Carer's Leave, available to all working carers regardless of employment type.
21. The consultation will invite stakeholders to provide their views on different options for the leave entitlement in order to better help the Government in designing and implementing a policy that best supports carers, while balancing against the cost to business. More specifically, the Government will be seeking views on who should be eligible to take Carer's Leave and how to design the leave entitlement.
22. The consultation seeks views on how a new entitlement to a week's leave for carers can be designed to support employees balance work and care. At this point, the Government is not convinced that there is a compelling case to introduced pay as well as leave. The aim of Carer's Leave is to give individuals the flexibility to provide care during regular working hours. It would be additional to existing entitlements such as flexible working, annual leave and unpaid parental leave and allow further opportunity to take time out of work in situations when the need for care is particularly intense or to manage day-to-day needs. As such, the Government's priority is to ensure that the leave is widely available to those who need it, while making sure that the impact on employers is proportionate.
23. The consultation will consider how best to define the entitlement to leave. The Government understands that carers are socially and demographically a diverse group, who will likely find themselves tasked with the demand of caring for dependents with complex long-term conditions as the population ages. As a result, carers may have to increase the number of hours caring for a longer period, whilst attempting to maintain their link to work.
24. Some employers have recognised the value carers contribute to their organisation and have put policies in place to help carers in managing their competing responsibilities. For instance, Aviva have introduced a policy allowing employers up to 35 hours of paid leave per year for a planned event and 35 hours of paid leave for emergencies per year. For carers requiring a longer period of time off, they have also extended unpaid parental leave to employees with caring responsibilities.³² Centrica have introduced 10 days paid leave to carers, with an additional 10 days that can be taken if matched with annual leave.³³
25. However, evidence submitted to the Work and Pensions Committee highlighted that Carer's Leave was "still relatively rare." Currently, there are no rights for carers in the UK to take leave from paid work to care for another dependant unless for an emergency or to care children aged under 18.

³⁰ Pavalko, Eliza K., and Kathryn A. Henderson. "Combining care work and paid work: Do workplace policies make a difference?" Research on Aging 28.3 (2006): 359-374.

³¹ Subject to having worked continuously for 26 weeks for the same employer

³² <https://www.aviva.com/newsroom/news-releases/2017/10/uk-aviva-supports-its-workforce-by-introducing-new-carer-policy-17827/>

³³ <https://www.centrica.com/news/centrica-encourages-government-action-paid-carers-leave#>

Whilst some employers may offer career breaks or sabbaticals, there is no legal requirement for them to offer this meaning that employees may face uncertainty upon returning to work.. There is currently no intention to introduce legislation to give any employee the right to take a career break.

26. The unpaid leave entitlement could be available to take as a single block of one whole working week or as individual days or half-days (or equivalent for part-time employees), up to one whole week. This leave entitlement could be used in transitional phases, which would allow a carer a short time away from work to deal to help with events such as helping a cared for person move into a new residence. The leave could also be used to arrange for another relative or friend to step in and provide care whilst the primary care takes a break away from their caring responsibility.
27. The Government will be consulting on the following options. The options are based on an annual entitlement of 1 week (option 2)
 - Option 2a: 1 week per year, taken as a single block
 - Option 2b: 1 week per year, taken as individual days or half-days

Rationale and evidence that justify the level analysis using in the IA (proportionality approach):

28. At present we have made use of the available evidence base to model the costs and benefits of introducing a statutory entitlement to Carer's Leave. Where relevant, we have used methodology from similar family-related leave policies to model the impacts on business. To estimate labour absence costs and familiarisation costs, we have used methodology from the Parental Bereavement Leave IA as this is a similar leave entitlement to the Carer's Leave proposals. Whilst the target populations differ, it is reasonable to assume that employers will respond in a similar way to employees taking Carer's Leave. These are both family-related leave entitlements that employees across the age distribution access/will access. We have used relevant survey evidence, from the Fourth Work Life Balance survey and CIPD surveys, to feed into the cost and benefit modelling.
29. Given that options have yet to be fully defined and are subject to consultation, it would be disproportionate to carry out a large evidence review to validate the key assumptions at present. However, we will refine the key assumptions, particularly to understand how individuals and employers react, and improve the robustness of the estimates during the consultation phase.

Monetised and non-monetised costs and benefits

Modelling Approach

30. We have attempted to model the costs to individuals and businesses from introducing a new statutory entitlement to Carer's Leave using the limited information available. The costs would only arise upon the implementation of the policy. The impacts estimated throughout should be interpreted as indicative, with the final policy design to be determined by discussions with stakeholders. As evidence emerges from the consultation, we will adjust any estimates to ensure the assessment of costs of the policy are as accurate as possible.
31. We have not modelled the benefits to individuals and businesses of the policy in this consultation stage IA, but will seek views on the key benefits to both at consultation and consider how to estimate these for the final stage IA.
32. The model first attempts to build the target population that would be affected by the entitlement and then estimate the costs of the options. We apply assumed take-up rates to the eligible population to estimate the total number of carers that would use the entitlement. The costs to business are driven by the costs of absent employees, administrative costs from processing leave requests, and costs of familiarising with the legislation.
33. For employers who already have policies in place for carers, the introduction of the legislation would

not impose any additional costs to these businesses. Making use of survey data on the coverage and duration of Carer's Leave available, we account for these "deadweight" costs in our analysis by deducting the costs for employers who already have similar leave policies available to give an accurate assessment of the costs and benefits.

Eligibility Criterion

34. Ensuring there is clarity over the qualifying conditions for the leave entitlement is vitally important. This will then help employers and employees alike in determining who is eligible for the new entitlement, ensuring consistency and avoiding the risk of a legal challenge and associated costs.
35. The consultation will consider defining the carers by two key dimensions:
 - The employee's relationship to the person cared for
 - The employee will have caring commitments which are longer-term or apply to specific situations where the need is significant
36. The Government is consulting on whether eligible employees should be able to take Carer's Leave with appropriate notice from the start of their employment, making it a day one right, or after 26 weeks of continuous employment. We have modelled the impacts on business of making Carer's Leave a day one right in this consultation stage IA, to provide conservative estimates of the costs. If eligibility is based on 26 weeks of continuous employment, the eligible population will be smaller than that estimated in this IA. The final stage IA will estimate the appropriate eligible population, once the eligibility conditions have been determined following consultation.
37. The Government is proposing to limit the leave entitlement to those caring for individuals with physical or mental health issues, disability, or problems relating to old age where the need for care lasts for longer period of time (such as 6 months or a year) . The consultation will be used to help determine the qualifying conditions relating to care need and so these qualifying conditions have not been modelled in this IA. The final stage IA modelling will incorporate the qualifying conditions based on care need, likely reducing the eligible population estimated below.
38. The consultation will test the key dimensions set out above to establish who should be eligible for the leave. At this stage we do not consider it proportionate to estimate the costs and benefits from the many permutations of the different qualifying conditions.
39. As with other family related leave entitlements, Carer's Leave would only be available to employees³⁴. Carers working in the informal labour market e.g. short-term contractors and freelancers would not be eligible for the policy. Widening the eligibility for Carer's Leave would not be in keeping with broader labour market and family related leave entitlements, which seek to maintain labour market attachment. Furthermore, keeping the policy consistent with other entitlements will make it comprehensible to users and help reduce the familiarisation burden on businesses. Through the Employment Bill, the Government will be introducing further measures to support people to balance their work commitments with their responsibilities outside work.
40. has already committed to strengthening worker's rights through a number of policy and legislative changes to ensure that workers can access fair and decent work, that both employers and workers have the clarity they need to understand their employment relationships, and that the enforcement system is fair and fit for purpose.

Target Population

41. To estimate the number of individuals in scope of a statutory entitlement to Carer's Leave we make use of data from the Family Resource Survey (FRS)³⁵, which collects information on a representative sample of households across the United Kingdom and is carried out at yearly intervals. The FRS

³⁴Unpaid parental leave requires eligible employees to have worked for employer for at least 1 year

³⁵ <https://www.gov.uk/government/collections/family-resources-survey--2>

defines all those giving care on an informal basis, that is not part of a paid job as informal carers and provides statistics on the prevalence of providing care by age and gender. Care is not prescriptively defined but includes activities such as helping with shopping, preparing meals and feeding.

42. According to FRS 2016/17, 8% of the UK population (5.4 million) were informal carers, with women making up 60% of the carer population (3.2 million). This is the most recent data we have available on the number of unpaid carers across the UK and is used as a proxy for informal caring data for GB. Since employment matters are devolved in Northern Ireland (NI), the policy would only apply to Great Britain (GB). However, since the FRS survey covers the entire UK and does not specify national breakdowns, we assume that prevalence of providing care across the UK is not markedly different to GB. It must be noted that we do not make any adjustments to the population based on who the carer is caring for. If carers providing care to individuals aged under 18 were not deemed eligible for the entitlement, this would further reduce the eligible population. FRS data shows that 3% of individuals aged between 0 and 15 received care in 2016/17 compared to 34% of those aged 85 or over.³⁶
43. In order to ensure the costs and benefits are modelled for GB only, we use ONS population statistics³⁷ to strip out Northern Ireland. Calculations for the weighting factor are shown below in Table 1.

| | GB Population (2018) (Thousands) | UK Population (2018) (Thousands) | Percentage |
|----------------|---|---|-------------------|
| Males | 31,893 | 32,818 | 97.2% |
| Females | 32,693 | 33,648 | 97.2% |

44. Applying the weighting factors to the population of carers across the entire UK gives an estimate for the number of carers across GB only. Table 2 below shows the estimates for the number of carers across GB.

| | UK Carer Population (Millions) | Percentage | GB Carer Population (Millions) |
|----------------|---|-------------------|---|
| Males | 2.2 | 97.2% | 2.1 |
| Females | 3.2 | 97.2% | 3.1 |

45. Since the leave entitlement would only be available to those who are currently employed, we strip out both non-working carers and those carers who are self-employed as neither would qualify for the leave. Table 3 shows the employment status of all informal carers by gender, illustrating how a higher percentage of male employee carers are in employed, albeit there is little difference between males and females in the percentage of informal carers who are employees. In contrast, male informal carers (11%) are more likely to be in self-employment compared to females (6%). In the box below employment status proportions are applied to obtain the volume of employee carers, split by gender.

| | Males | Females |
|----------------------------|--------------|----------------|
| All Employed ³⁸ | 55 | 51 |
| Employees | 44 | 45 |
| Self-Employed | 11 | 6 |

Source: FRS 2016/17

³⁶ FRS Data Tables 2016/17

³⁷ <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections>

³⁸ Includes both employees and the self-employed

Calculation of informal carers in employment

[Number of informal carers in employment = Total number of adult informal carers x % of informal carers in employment]

Male Employee Carers

Carers in employment = 2.1 million x 44% = 940,000

Female Employee Carers

Carers in full-time employment = 3.1 million x 45% = 1,400,000

Total carers = 2,340,000

46. The box above summarises the estimated eligible population of informal employee carers, based on the proposal to make Carer's Leave a day one right. Further qualifying conditions, such as care need and length of continuous employment, will be determined following the consultation.
47. The estimate of eligible carers is static, based on an estimate of the current stock of employee carers, whereby only those who are currently self-identifying as carers are counted. No allowance is made for a change in the number of employee carers due to either demographic change or behavioural change in the group as a result of the incentives this policy may generate. As the population ages and care needs become more complex the demand for informal care is likely to rise. Whilst we have not accounted for demographic change this is an area we may consider for the final stage Impact Assessment.
48. In reality, the caring population is relatively fluid. Each year a significant number of carers move in and out of caring. If the net flow into caring is positive, the costs will be underestimated, while if the net flow into caring is negative, the costs will be overestimated. Furthermore, if the policy is successful, more carers may remain in employment and the population of carers eligible for the leave entitlement may be larger than estimated. We will explore this potential outcome during consultation and consider modelling various population scenarios for the final stage IA.

Take-up behaviour

49. Estimating the proportion of eligible carers who would opt into the Carer's Leave entitlement is uncertain given the number of influencing factors, which include the nature of the care need, financial incentives, workplace culture and family circumstances. The evidence on take-up rates for a carer's entitlement is limited so we have attempted to use evidence from existing parental rights, similar in purpose, as a proxy estimate. Take-up for Carer's Leave may be different. For instance, take-up rates for parental leave entitlements may be higher than for a Carer's Leave policy if there is a stronger cultural expectation that parents take time off work to care for a young child. Conversely, take-up rates may be higher given more carers may remain in employment as a result of this policy.
50. To provide indicative costings, we have used take-up rates for unpaid parental leave and time off to care for dependants. We may expect slightly higher take-up rates for one week of leave, particularly for the flexible option, but in absence of better evidence these figures are used for the consultation stage IA. We seek to test our assumptions and gather further evidence at consultation and will model different cost scenarios at final stage.

Take-up for 1 week option taken as a single block (Option 2a)

51. We estimate the take-up rate of leave taken as the single block of one working week at 11%. This is based on evidence from the Fourth Work Life Balance Survey (2012) on the proportion of employed parents taking unpaid parental leave to care for a child. When the survey was published, eligible parents were entitled to take unpaid leave of up to 13 weeks to look after their children within the first 5 years after the birth, with a maximum of four weeks in any given year. The survey found a take-up

rate of 11% across this group. Whilst not a perfect proxy, given the slightly different care need, the Carer's Leave proposal is similar in that it is unpaid and for the purpose of caring.

Take-up for 1 week option taken as individual days or half-days (Option 2b)

52. For the flexible option that allows individuals to take the leave as individual days or half-days, the take-up rate is assumed to be 29%. This is based on evidence from the Fourth Work Life Balance Survey, where 29% of respondents with carer status had taken time off to care for dependants in the past 12 months. A flexible leave option available to take as individual days or half-days is similar to how people would take time off for dependants. We would expect that take-up of the flexible option would be higher than take-up of the single block option, as it would be easier for employees fit around work commitments and would allow for carers to take leave for multiple caring situations throughout the year.

Monetised and non-monetised benefits

Option 1: Do Nothing

53. There are no additional costs and benefits from this option as this is the current situation

Option 2: Introduce a new entitlement to Carer's Leave

54. Under this option there would be a legislative requirement for employers to provide a statutory right to leave for employees with caring responsibilities, which would lead to costs and benefits for individuals and carer. The consultation would apply to Great Britain only (England, Scotland and Wales). Employment and Equality Law are devolved in Northern Ireland, therefore our IA only covers Great Britain.

Benefits

Wider benefits to the Economy

55. Introducing a new entitlement for carers to take time away from work to care for a dependent would help in meeting the core policy objective of helping carers balance their working and caring commitments in a sustainable way that enables them to remain in employment.

56. It is estimated that 345,000 carers leave employment each year, and that the annual public expenditure of carers leaving work is £2.9 billion per year, according to research by The Personal Social Services Research Unit (PSSRU) at the LSE using 2009/10 Survey of Carers in Households and 2011 census data. The £2.9 billion figure is made up of £1.7 billion in social security benefits paid to unpaid carers who have left employment and an additional £1.2 billion due to taxes not collected on foregone income.³⁹

57. A high proportion of carers are of the age where they may be at the peak of their career, and helping these carers remain in the labour market will enable this group to contribute further to the economy in their work and through the taxes paid on income. Evidence on the demography of carers finds that 15% of individuals in the 45 - 54 age group provide informal care, a relatively high proportion compared to other age groups⁴⁰. Within this age group, individuals are most likely to have developed the skills they need to flourish in the workplace and see their lifetime earnings peak. Analysis of median earnings by age group⁴¹ shows that weekly earnings peak during the 40 – 49 age group (£536.60 per week) before dropping as time goes on.

Employer benefits

58. Employers could benefit from lower staff turnover through a new leave entitlement, if fewer carers leave the labour market in order tend to someone in need of care. This will reduce recruitment and

³⁹ Pickard, Linda, et al. "Public expenditure costs of carers leaving employment in England, 2015/2016." *Health & social care in the community* 26.1 (2018): e132-e142.

⁴⁰ FRS Data, 2016/17

⁴¹ Annual Survey of Household Earnings, 2017/18

training costs. A CIPD survey⁴² of HR professionals representing organisations of all sizes found the median cost for hiring all employees to be £2,000 in 2017. Further benefits will accrue to businesses because the loss of skills, knowledge and experience felt when someone leaves to look after those close to them. One major utility company reported savings of more than £1 million per year as a result of retaining carers through workplace support⁴³. Savings in training costs could also flow from the policy as staff who would need to be recruited require training in order to reach the level of productivity of previous employees. In keeping these people in work for longer, employers will benefit from having skilled and experienced staff and the human capital they have accumulated over their careers, which would be difficult to replace if they left the workplace.

59. The literature finds some evidence suggesting that workplaces offering a range of extensive family related policies are more likely to have above average performance compared to workplaces without such practices.⁴⁴ In addition, there is also evidence of a range positive outcomes linked with firms providing policies designed to promote a good work-life balance.⁴⁵ More specifically, the report examined the literature on the costs and benefits to business of adopting work-life balance working practices, such as flexible working and family friendly leave and pay policies⁴⁶. The literature review found evidence that a range of family related policies could either reduce absence rates or better enable employers to prepare and manage absences subject to formalised policies. Whilst the econometric evidence of this relationship was more mixed, the authors conclude that these policies either significantly reduce absenteeism or are business neutral. The review also found a wide range of evidence supporting the relationship between labour market participation and maternity and parental leave, in part driven by the ability to return to the same employer.
60. We acknowledge that the evidence above refers to the broad umbrella of family friendly policies rather than a specific care leave entitlement but we believe that many of these benefits would apply to carers in that they would temporarily leave the workplace to provide care for another person and would be able to enjoy the same right to return to their employer as parents. The consultation will also invite stakeholders to provide their views on the benefits from the entitlement, furthering our understanding of how businesses and individuals could be affected by the new leave entitlement.
61. As well as helping to improve staff retention, further reputational benefits could follow if businesses provide carer arrangements that go beyond the statutory entitlement. This could help attract staff from a wider talent pool, giving employers an additional edge when recruiting staff.
62. Indeed, some companies such as Centrica have already recognised the benefits of supporting their employees through a designated care leave policy, which allows employees to match their annual leave entitlement with paid Carer's Leave up to 30 days. Based on their own internal analysis, Centrica estimate that providing a Carer's Leave policy has yielded savings of £1.8m per year from lower unplanned absence and presenteeism.⁴⁷

Individual benefits

63. A key objective of introducing this policy would be to better support carers in managing their caring and work responsibilities. An entitlement to leave, similar to existing rights available to parents, will help carers achieve a better work-life balance. Policies that promote a healthier work-life balance can yield real benefits to employees. Indeed, in feeling more in control of their working lives, people are likely to benefit from improvements in their health and overall well-being. There is a clear link between caring and negative health and social outcomes, which emerges from the evidence base. A survey⁴⁸ of carers found that 29% of carers felt their caring responsibilities had led to feelings of stress. The results were more pronounced for females (34%) compared to males (22%). Carers were

⁴² CIPD & Hays (2017), *Resourcing and talent planning: survey report*. (Sample based on responses of 1,068 HR professionals)

⁴³ Yeandle, S., Bennett, C., Buckner, L., Shipton, L., Suokas, A., *Who Cares Wins: The Social and Business Benefits of Supporting Working Carers* (2006), Centre for Social Inclusion, Sheffield Hallam University report for Carers UK

⁴⁴ Gray, H. (2002) *Family-Friendly Working: What a Performance! An Analysis of the Relationship Between the Availability of Family-Friendly Policies and Establishment Performance*. CEPDP, 529. Centre for Economic Performance, London School of Economics and Political Science, London, UK.

⁴⁵ *Costs and Benefits to Business of Adopting Work Life Balance Working Practices: A Literature Review*, BIS, 2014

⁴⁶ *Maternity, paternity, parental leave and childcare support provision*.

⁴⁷ <https://www.centrica.com/news/carers-uk-and-centrica-announce-new-partnership-improve-lives-carers>

⁴⁸ *Survey of household carers, 2009/10*

also asked whether their personal relationships and social life has been affected; the same report found that 42% had been affected in some manner, with the vast majority (69%) of these respondents stating that providing care meant they had less time for leisure activities. This was a finding that was consistent in its prevalence among different age groups.

64. Evidence submitted to the Work and Pensions Committee found that many carers were forced to use annual leave or sick days to fulfil their caring responsibilities. Creating an additional entitlement to leave would help offer carers more time and space to carry out the activities they value the most. Considering the findings above, this could lead to benefits in health and social outcomes that would help reduce the strain on formal healthcare infrastructure. Quantifying the value of these benefits is made complex as it is difficult to attribute precisely the impact the policy proposals will have on these outcomes.

Costs to business

65. In this section we explore the different costs relating to the impact of Carer’s Leave. The classification of costs incurred by affected businesses are outlined in the table below.

Table 10: Types of costs

| Type of cost | Explanation and components |
|-----------------------|---|
| Familiarisation costs | Employers must familiarise themselves with new legislation on the new entitlement to Carer’s Leave. |
| Administrative costs | Recurring implementation costs: Employers incur administrative costs as they administer take up of Carer’s Leave by eligible employees |
| Absence costs | Re-organisation costs: Employers will re-organise work among current staff, provide temporary cover or accept a small fall in output in response to employees going on leave. |

Familiarisation Costs

66. Creating a new entitlement will create familiarisation costs for business. We estimate the cost of familiarisation using methodology from the Parental Bereavement Leave (PBL) IA, as the policy is a similar family-related leave entitlement. Consultation with businesses for the Parental Bereavement Leave (PBL) Impact Assessment led to the view that small and medium size businesses (fewer than 50 employees) will only familiarise themselves fully with the legislation on a case by case basis and do little upon policy implementation. Conversely, larger businesses are more likely to spend more in familiarising themselves with the legislation upon introduction and will have dedicated HR functions to understand changes to employment law. Furthermore, large businesses will also have a higher likelihood of experiencing an eligible employee claiming Carer’s Leave due their size. Companies with existing leave policies for carers will also experience these costs to understand how this interacts with the statutory entitlement.

67. As with the PBL Impact Assessment, we assume an average of 3 hours of time needed to understand what the new right would mean for their organisation, with an HR manager/Director leading on this. Typically, time will be spent building an understanding of what the legislation means and its relationship with existing policies.

68. For all firms, time has been valued using data from the Annual Survey of Hours and Earnings (ASHE) 2018⁴⁹. We have used a median wage figure for HR Managers and Directors (SOC code 1135) of £24.51 per hour and have uprated this by 20.7% to £29.85 per hour to include non-wage labour costs for large firms (at least 50 employees).
69. Applying these hourly costs to our assumed familiarisation times and using 2018 BIS Business Population Estimates, **we estimate total familiarisation costs to be £4.5m.**

Table 11: Total familiarisation costs for Carer's Leave

| Firm size (number of employees) | Number of firms | Average familiarisation time | Estimated cost to business |
|---------------------------------|------------------|------------------------------|----------------------------|
| 1 ^(a) | 140,200 | 0h | £0.0m |
| 2-4 | 740,500 | 0h | £0.0m |
| 5-9 | 266,100 | 0h | £0.0m |
| 10-19 | 143,300 | 0h | £0.0m |
| 20-49 | 76,400 | 0h | £0.0m |
| 50-99 | 25,600 | 3h | £2.3m |
| 100-199 | 12,000 | 3h | £1.1m |
| 200-249 | 2,500 | 3h | £0.2m |
| 250-499 | 4,800 | 3h | £0.4m |
| 500+ | 5,200 | 3h | £0.5m |
| Total | 1,416,700 | | £4.5m |

Source: BEIS estimates based on 2018 Business Population Estimates and 2018 ASHE. Note that columns may not sum to total due to rounding.

(a) The Business Population Estimates only provides a category for the public sector for businesses with zero or one employee. We have used the ratio of the private sector and applied it to the whole economy. Private sector businesses make up the vast majority of the business population, so aggregate results are not strongly affected by this.

Administrative costs

70. Recurring administrative costs are assumed to be the cost of administering requests for Carer's Leave. For both options, we estimate the number of leave requests by applying the level of take-up assumed to the estimated eligible population. The duration of leave taken should not impact the administrative costs and the carer is likely to indicate this when notifying the employee prior to taking leave.
71. As discussed above, we assume businesses with fewer than 50 employees will not conduct any familiarisation of the policy until they need to process a leave request. We therefore assume that businesses with fewer than 50 employees will take longer to process an application than larger businesses. Our estimates allow for half an hour of processing time for larger businesses and an hour for businesses with fewer than 50 employees to account for time spent calling helplines for specialised advice (e.g. consulting a lawyer) or looking up Acas guidance (i.e. the equivalent of familiarisation). This mirrors the approach taken in the PBL Impact Assessment, which allowed for businesses spending an additional 60 minutes to familiarise with policy each time they processed a leave request. As with the familiarisation costs, we assume that in businesses with 50+ employees an HR Manager/Director will process any claims. For businesses with fewer than 50 employees we assume a Manager/Director/Senior Official will process requests as they are unlikely to have a dedicated HR team and spend half an hour per case.

⁴⁹ONS Annual Survey of Hours and Earnings, 2018 results
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2018>

72. As in the case for familiarisation costs we use the uprated (for non-wage labour costs) median wage for an HR Manager/Director of £29.85 per hour. For a Manager/Director/Senior Official (for firms with fewer than 50 employees) we assume the uprated wage rate of £25.51 per hour⁵⁰.

73. The consultation will seek to determine the eligibility conditions for Carer's Leave, and thus the administration costs of the flexible option represent a conservative estimate and will be refined in the final stage Impact Assessment.

74. The calculations for the admin cost per case are as follows:

| |
|--|
| Small Employers (Fewer than 50 employees): |
| Cost per case = $(0.5 \times £25.51) + (1 \times £25.51) = £38.27$ |
| Large Employers (Greater than 50 employees): |
| Cost per case = $(0.5 \times £29.85) = £14.92$ |
| <i>Total recurring administrative costs = Eligible carers x Take-up rate x Cost per case</i> |

75. We also account for companies that already have existing Carer's Leave policies in place in para 94.

Table 12: Recurring Administrative Costs (Option 2a)

| | |
|--|-------------|
| Eligible Carers likely to use Carer's Leave ^a | 257,000 |
| Large firms | |
| Employees in workplaces with 50 or more people (%) | 72.0% |
| Eligible carers likely to use Carer's Leave | 185,000 |
| Uprated hourly rate of HR Manager/Director | £29.85 |
| Recurring costs (£million) | £2.8 |
| Small firms | |
| Employees in workplaces with fewer than 50 people (%) | 28.0% |
| Eligible carers likely to use Carer's Leave | 72,000 |
| Uprated hourly rate of Manager/Director/Senior Official | £25.51 |
| Recurring costs (£million) | £2.8 |
| Total (£million) | £5.5 |

Sources: Employment shares are taken from the 2018 BEIS Business Population Estimates, wage data from 2018 ASHE. Summary figures might not add up to the sum of components due to rounding.

^(a) Based on 2,100,000 eligible carers per annum and estimated take-up rates.

⁵⁰ ASHE wage rate for Manager/Director/Senior Official = $£20.95 \times 1.218 = £25.51$

Table 13: Recurring Administrative Costs (Option 2b)

| | |
|--|---------------|
| Eligible Carers likely to use Carer's Leave ^a | 679,000 |
| Large firms | |
| Employees in workplaces with 50 or more people (%) | 72.0% |
| Eligible carers likely to use Carer's Leave | 4488,000 |
| Up-rated hourly rate of HR Manager/Director | £29.85 |
| Recurring costs (£million) | £7.3m |
| Small firms | |
| Employees in workplaces with fewer than 50 people (%) | 28.0% |
| Eligible carers likely to use Carer's Leave | 190,000 |
| Up-rated hourly rate of Manager/Director/Senior Official | £25.51 |
| Recurring costs (£million) | £7.3m |
| Total (£million) | £14.6m |

Sources: Employment shares are taken from the 2018 BEIS Business Population Estimates, wage data from 2018 ASHE. Summary figures might not add up to the sum of components due to rounding.

^(a) Based on 2,100,000 eligible carers per annum and estimated take-up rates.

Re-organisation costs

76. Absence costs are those incurred by businesses due to their employee taking Carer's Leave and represent reorganisation costs. For example, the cost of employing temporary cover. Temporary cover staff are likely to be more expensive than absent employees and may be less productive. Alternatively, businesses may reallocate work among existing staff, pay existing staff for overtime work or reallocate resources from elsewhere.
77. Our approach to estimating reorganisation costs is based on that used in the Impact Assessment for the introduction of Parental Bereavement Leave. We use CBI survey data on reported cost of absence which leads to an estimate of reorganisation costs of £110 per week per employee. Based on the take-up assumption that 11% of eligible carers will take the unpaid 1 week leave as a single block (Option 2a), reorganisation costs for this option are presented below. Further explanation on the costing approach is set out in the Annex.

Table 15: Annual re-organisation costs (Option 2a)

| | |
|--|---------------|
| Weeks of leave taken by carers | 257,000 |
| Re-organisation costs per additional week of leave taken | £110 |
| Total annual re-organisation costs | £28.3m |

78. For carers that take the leave as individual or half-days, we follow the same approach. The take-up of the leave accessed as individual or half-days is estimated to be higher (29%), and we assume that the entire week is taken each year. The consultation will seek to determine the eligibility conditions for Carer's Leave, and thus the re-organisation costs of the flexible option represent a conservative estimate and will be refined in the final stage Impact Assessment.

Table 16: Annual re-organisation costs (Option 2b)

| | |
|--|---------------|
| Weeks of leave taken by carers | 679,000 |
| Re-organisation costs per additional week of leave taken | £110 |
| Total annual re-organisation costs | £74.7m |

Deadweight cost

79. 'Deadweight' refers to outcomes that would have occurred without Government intervention and could arise because already have arrangements in their organisations allowing carers to take leave away from work to tend to their caring responsibilities. We account for deadweight in the Impact Assessment to avoid overestimating the costs faced by employers.

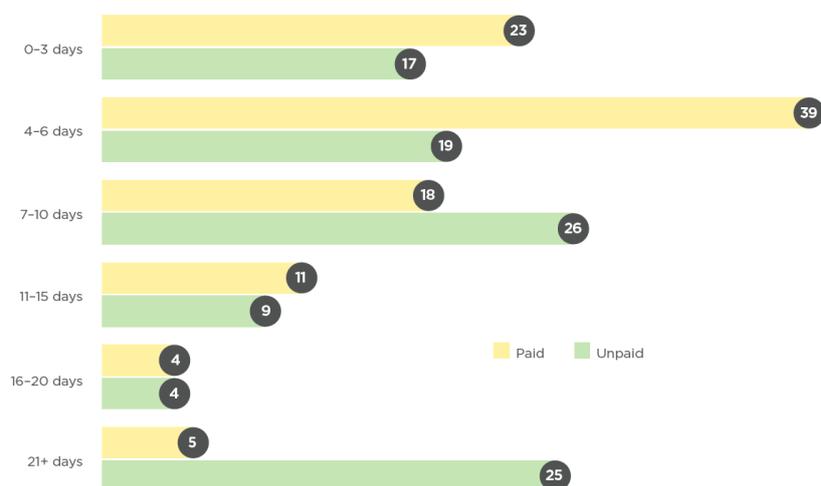
80. We assume a deadweight proportion of firms with policies in place at 59%. A 2016 CIPD survey⁵¹ asked HR professionals about the number of days of leave per year available to access for carers with caring responsibilities. 59% of organisations provided some form of leave for carers, but this may include other leave entitlements such as annual leave and we are unable to ascertain how this question was interpreted by all firms surveyed. The survey was weighted to be representative of the UK business population.

81. This percentage is higher than expected, given the evidence submitted to the Work and Pensions Committee and the fact that only 26% of employers and 18% of private sector employers had a formal written policy for carers. We will examine this assumption during consultation, and seek further deadweight assumptions to inform scenario analysis for the final stage IA.

82. In absence of better evidence at present, we have used the CIPD survey to estimate the deadweight costs. Of those companies providing unpaid leave for caring, 17% of these provided up to 3 days of unpaid leave and a further 19% provided between 4 and 6 days' unpaid leave (see below).

⁵¹ https://www.cipd.co.uk/Images/creating-an-enabling-future-for-carers-in-the-workplace_tcm18-10530.pdf

Figure 1: Approximately how many days of leave per year are carers offered in your organisation to help them cope with their responsibilities? (%)



Source: CIPD

83. The survey results above show the amount of unpaid leave using bands, however, in order to calculate the deadweight, we must recreate the distribution in days. To do this, assume within each band the number of days offered is equally distributed. Thus, for the 19% of firms that offer 4 – 6 days, we assume that 6.3% each offer 4, 5 and 6 days of leave. This distribution only reflects those firms that currently do offer leave for carers and thus to calculate this percentage relative to all firms we multiply the proportion of firms offering a given amount of leave by 59%. Box 1.2 shows how we have calculated the relevant figures below.

Percentage of companies offering 5 days of unpaid leave

59% of companies currently offer leave to carers, of these 19% offer between 4 and 6 days. Assuming equally distributed bands, 6.3% ($19\% \div 3$) offer 5 days. A further 26%, 9%, 4% and 25% offer 7-10, 11-15, 16 – 20 days and at least 21 days respectively. Therefore, 76.7% of these firms offer at least 5 days of unpaid leave for caring purposes. However, this is relative to those firms who already provide leave (59%). To calculate this relative to all firms, we apply the 59% figure to obtain the relevant statistic, finding that 45.2% ($76.7\% \times 59\%$), provide at least 5 days of leave.

84. Following this approach yields the distribution below (Table 20).

Table 20: Percentage of firms currently offering unpaid leave for carers

| Days Offered | Percentage | Cumulative |
|----------------|------------|------------|
| 1 ^a | 3.3 | 59.0 |
| 2 | 3.3 | 55.7 |
| 3 | 3.3 | 52.3 |
| 4 | 3.7 | 49.0 |
| 5 | 3.7 | 45.2 |
| 6 | 3.7 | 41.5 |
| 7 | 3.8 | 37.8 |
| 8 | 3.8 | 33.9 |
| 9 | 3.8 | 30.1 |
| 10+ | 26.3 | 26.3 |

^a Assuming the 0 – 3 band starts at one day given the question has been asked to all firms who offer at least some leave to carers.

Re-organisation Costs

85. Using the distribution above, we find that about 45% of firms offer at least 5 days of unpaid leave to carers. We use this figure to calculate the reduction in re-organisation costs and recurring administration costs for those firms which already provide Carer's Leave. Since 45% of firms offer at least 5 days of leave, we reduce reorganisation costs by this amount to account for deadweight.

Recurring Administrative Costs

86. Employers who already have an existing provision are likely to incur an administrative cost to process and arrange these claims. Therefore, the introduction of the proposed legislation is not expected to generate additional recurring administration costs for this group. We estimate the current business cost of administration using the assumption outlined above - that 59% of employers already provide an unpaid leave entitlement for employees. For smaller firms, who familiarise on a case by case basis, the familiarisation costs have been calculated as part of the recurring admin costs. For those firms that already have leave policies in place, the familiarisation that small and micro businesses incur at point of receiving a request is directly attributable to the introduction of the policy and would not be a cost already incurred by the small and micro businesses.

87. Following a methodology outlined earlier we calculate the final reorganisation and recurring administrative costs for those firms that already provide unpaid Carer's Leave.

Table 21: Reduction in costs (Option 2a)

| Type of cost | Cost |
|-----------------------------------|---------------|
| Reorganisation Costs | £28.1m |
| Deadweight (Reorganisation) | £12.7m |
| Final Reorganisation Costs | £15.4m |
| Administrative Costs | £5.5m |
| Deadweight (Admin) | £2.2m |
| Final Administrative Costs | £3.4m |

Table 22: Reduction in costs (Option 2b)

| Type of cost | Cost |
|-----------------------------------|---------------|
| Reorganisation Costs | £74.2m |
| Deadweight (Reorganisation) | £33.6m |
| Final Reorganisation Costs | £40.6m |
| Administrative Costs | £14.6m |
| Deadweight (Admin) | £5.7m |
| Final Administrative Costs | £8.8m |

Non-monetised costs

88. Evidence submitted to the Work and Pensions Committee found that carers were having to use their annual leave when providing care. One of the intended effects of the policy would be to give carers the means to use a new entitlement for caring, giving them more time to enjoy the things they value. In creating this new entitlement, this could impact the amount of annual leave taken and thus the costs faced by employers. It is more likely that carers will instead use their annual leave for things other than caring, especially since it would be remunerated at full pay compared to the policy proposals, which would all be unpaid. Given the lack of evidence, we have not modelled any displacement/interaction effects that the new entitlement would have on annual leave.

Small and Micro – Business Assessment (SaMBA)

89. The proposed policy will affect employees of all sizes, including small and micro businesses. We do not intend to exempt small and micro businesses from the new entitlement. Exempting small and micro businesses would not meet the intended policy objectives for carers who work in these firms. Allowing for minimum statutory rights of employees to differ across employers would create problems in the overall delivery of Carer's Leave and would undermine equal rights of employees. Benefits described above such as increases in tax revenue, savings in recruitment costs and increased tax revenues would mean a large chunk of these would not materialise if small and micro businesses were exempt from the policy.
90. Using Business Population Statistics⁵², we estimate that about 96% of businesses affected are small and micro businesses, with these businesses accounting for 28% of employees and for 30% of total turnover of all affected businesses.⁵³ We have no information on whether eligible carers are more or less likely to work in smaller or larger businesses compared to the rest of population. We therefore assume that around 30% of eligible working carers are likely to work for small and micro businesses. We qualify this on this basis that the definition of unpaid carers in this Impact Assessment is broad, shown by the large proportion of employees in the workforce who provide unpaid care whilst working. For this reason, we have limited information to suggest that unpaid carers are likely to work in smaller or large size firms relative to the wider employee population. We will further explore this throughout the consultation.
91. Based on earlier view that small and micro-businesses familiarise on a case by case basis we include these costs as part of the recurring administrative costs and assess these for Option 2a and Option 2b to see if the smallest firms bear a disproportionate burden. We estimate that these firms incur 51.2% of total familiarisation costs, whilst making up almost 97% of all firms. While at first sight, this might not appear disproportionate, small and micro-businesses 'only' account for 29.6% of turnover and are hence affected disproportionately at least when comparing with their turnover share. However, this is largely driven by the assumption we made that smaller companies are more likely to familiarise on a case by case basis and are less likely to be efficient at handling individual requests compared to large businesses with specialised HR functions, who are more likely to have carers working for them by virtue of their size. As part of the consultation, we will further examine the distribution of carers across different size firms to establish whether the smallest businesses will be disproportionately be affected when the policy design is more clearly set out. Whilst we have not considered exempting small and micro businesses from the policy it could be possible these companies are less likely to be affected given the lower probability of them employing an eligible employee in the first place. We will conduct further analysis throughout the consultation and update the IA accordingly. The consultation will also invite stakeholders to express their views on the most significant costs expected from the new leave entitlement.

⁵² BEIS Business Population Figures

Table 23: Small and micro-businesses

| Firm size (number of employees) | Number of firms | Employees (in thousands) | Turnover (in £ millions) |
|--|------------------|--------------------------|--------------------------|
| 1 ^(a) | 140,200 | 132 | 25,570 |
| 2-4 | 740,500 | 1,907 | 293,263 |
| 5-9 | 266,100 | 1,740 | 214,347 |
| 10-19 | 143,300 | 1,927 | 252,256 |
| 20-49 | 76,400 | 2,296 | 340,232 |
| 50-99 | 25,600 | 1,761 | 250,332 |
| 100-199 | 12,000 | 1,660 | 273,845 |
| 200-249 | 2,500 | 557 | 90,702 |
| 250-499 | 4,800 | 1,663 | 249,415 |
| 500+ | 5,200 | 14,886 | 1,818,852 |
| Total in small and micro-businesses | 1,367,000 | 8,002 | 1,125,668 |
| Share in small and micro-businesses | 96.5% | 28.0% | 29.6% |

Source: BIS estimates based on 2018 Business Population Estimates.

^(a) The Business Population Estimates only provide a category for the public sector for businesses with zero or one employee. We have used the ratio of the private sector and applied it to the whole economy to derive an estimate for the number of single employee businesses and their turnover. Private sector businesses make up the vast majority of the business population, so aggregate results are unlikely to be strongly affected by this.

Equality Assessment

92. As a part of the Equality Act 2010, public bodies are expected to account for equality impacts and the Public Sector Equality Duty (PSED), created under the Act in order to consider the potential effects of intervention on individuals with 'protected' characteristics. The PSED covers 9 protected characteristics in total: age, race, gender, disability, religion or belief, sexual orientation, gender reassignment, pregnancy and maternity, marriage and civil partnership.

Age

93. The policy is targeted at unpaid carers who are currently in work. Data on the characteristics of unpaid carers reveals that they are more likely to fall in the higher age categories, therefore this policy will more likely help older age workers. The table below shows how the likelihood of providing care increases with age. Furthermore, older age groups are most likely to be in receipt of such care. The FRS data shows that at 34% of individuals aged 85 and older were in receipt in care in 2016/17. A caveat is that the FRS survey does not distinguish between the type of care received.⁵⁴

Table 24: Percentage of people providing care by age 2016/17

| Age Group | Percentage |
|-----------|------------|
| 0-15 | 1 |
| 16-24 | 4 |
| 25-34 | 5 |
| 35-44 | 9 |
| 45-54 | 15 |
| 55-64 | 17 |
| 65-74 | 12 |
| 75-84 | 9 |
| 85+ | 8 |

⁵⁴ Care received can be split into formal and informal care or a mixture of both.

Gender

94. The policy proposals may also have gender implications given that the burden of care predominantly falls on women. Using the FRS data we find that women (10%) are more likely to provide care than men (7%). Further evidence is provided by 2011 census data for England and Wales, which found that overall 58% of unpaid care is provided by women, with men providing 42%. Furthermore, using the same source we find that across almost all age groups, women are more likely to receive care, especially in the 85+ age group where there is a 16-percentage point difference with men (Table 25). Again, this includes both formal and informal care, and we are unable to split out those solely receiving unpaid care. Therefore, any policy designed to help carers better manage their work-life balance is likely to disproportionately benefit women owing to the greater likelihood of being unpaid carers and receiving care (paid and unpaid).

Table 25: Percentage of people receiving care by age and gender

| Age Group | Males (%) | Females (%) |
|---------------------------|-----------|-------------|
| All people receiving care | 5 | 6 |
| 0-15 | 4 | 2 |
| 16-24 | 4 | 3 |
| 25-34 | 2 | 2 |
| 35-44 | 2 | 3 |
| 45-54 | 4 | 4 |
| 55-64 | 6 | 7 |
| 65-74 | 7 | 9 |
| 75-84 | 13 | 17 |
| 85+ | 24 | 40 |

Those in receipt of care may be receiving either formal or informal care or a mixture of both.

Remaining Characteristics

95. The proposal is designed to have a positive impact on carers in work who are faced with managing caring and work commitments subject to continuous service conditions and therefore will benefit employees falling into these groups. The proposed changes are unlikely to create any barriers to equality in terms of an employee's disability, sexual orientation, religion and belief and gender assignment. The policy will likely benefit those who have a physical disability. A survey of carers⁵⁵ found that 58% reported physical disability as the most common reason for providing care to a person in need.⁵⁶

Competition Assessment

96. The option under discussion would apply to all employers and is unlikely to adversely affect the competitiveness of any particular sector given the relatively small number of businesses that will be affected.
97. Using the competition filter test we find there is no need to conduct a detailed assessment of the impact of the proposals on competition. We do not expect the market share for products and services provided by either the private or public sector to be affected by the proposed policy. The changes would apply to all sectors of the economy and given the relatively small number of employees who would take-up an unpaid leave entitlement, it is unlikely to affect an employer's ability to operate.

⁵⁵ Survey of Carers in Households, 2009/10

⁵⁶ This question was asked to all carers, not just those in employment. However, the finding was not significantly different between those providing fewer than 20 hours per week (56%) and 20 or more hours per week (60%)

98. Furthermore, the policies will not affect market structure or the ability of new firms to enter markets or affect firm's production decisions.

Family Test

99. Section 149 of the Equality Act 2010 requires BEIS to have due regard to promoting equality of opportunity, eliminating discrimination, and fostering good relations between groups. We consider the introduction of Carer's Leave will provide a net benefit to families, through providing additional leave for carers to take for caring duties and through supporting informal carers in remaining in employment.
100. The policy will be beneficial to families who are going through key transitions such as becoming parents, getting married, fostering/adoption, bereavement, redundancy, onset of long-term health condition and most significantly, new caring responsibilities. These families will benefit from the additional time the informal carer is able to spend with their family and will allow family members with new caring responsibilities to adjust to combining their caring and work commitments. These arguments are particularly pertinent to individuals who care for family members.
101. For families experiencing couple separation, or at risk of deterioration of relationship quality and breakdown, we expect Carer's Leave to have a positive effect. Informal carers will benefit from the additional time, and potential flexibility, afforded by the entitlement. The cumulative effect of caring pressures and relationship breakdown could become significant for some family members, and we hope that Carer's Leave will mitigate these pressures to some degree.
102. Carer's Leave may affect family members' ability to play a full role in family life (including parenting and other caring responsibilities) in several ways. For those who provide care to family members and would have remained in employment, the entitlement will allow for an increase in caring time for their family member each year. For those who would have dropped out of employment, the entitlement may allow these carers to remain in employment. Although this may reduce the time spent with their family, remaining employed means continued wages (that may rise over time with career progression). The continued financial contribution to the family will likely have positive effects on the family unit and family members.
103. We do not expect the policy to have an impact on family formation.

Risks and Assumptions

Modelling risk and assumptions

104. The costing and analysis within the Impact Assessment are dependent on a key number of assumptions. We have identified areas where the existing evidence base supporting these assumptions is limited and where the key risks lie. These are described below:
- The likely take-up rate of carers for the options considered
 - The extent to which Carer's Leave displaces existing leave entitlement such as annual leave
 - How the stock of carers taking leave each year will change
 - The deadweight cost assumptions on the proportion of firms currently offering specific leave for carers
105. Currently we have assumed that the population of eligible carers is static, and that the proportion of

carers taking the leave entitlement is constant over time.

106. The Government is proposing to limit the leave entitlement to those caring for individuals with physical or mental health, disability, or problems relating to old age. The consultation will be used to help determine the qualifying conditions relating to care need. These qualifying conditions have not been modelled in this Impact Assessment and so the eligible population and costs above are likely to be overestimates and can be viewed as conservative estimates.

Annex: Estimating absence costs to employers

107. Employee absence has cost implications for employers, even though employers do not incur wage costs during their absence (unpaid leave) but still face costs associated with reallocating existing work during periods of absence, which may require employing temporary cover or paying existing staff overtime to keep overall output constant.
108. The choice between different types of cover will be influenced by factors such as: the duration of absences and their nature (planned or unplanned), the size of the company/workplace, the nature of the business, and the skills needed in the particular job. While we recognise that employers may use different methods to cover absence in different cases, we consider that in terms of employer costs, the same assumptions apply in each case. Whilst this might not describe the situation in all cases, we feel that this approach is proportionate for the Impact Assessment.

Re-organisation costs

109. In order to monetise the impact of the proposed policies in terms of the costs of absence incurred by employers, we must estimate the cost of re-organising work. This is difficult to measure as some costs are not directly observed, such as identifying loss of productivity. The approach taken in this Impact Assessment will largely follow that used in the Parental Bereavement Leave IA.⁵⁷
110. Moreover, whilst studies may seek to identify the cost of absence in general, including both planned and unplanned (paid and unpaid), the absence covered in this IA is unpaid and planned – for example, working carers would give notice to their employer before taking Carer's Leave.
111. With this in mind, we present below the most recent estimates for the cost of absence by two leading employer bodies, the Confederation of British Industry (CBI) and the Chartered Institute of Personnel and Development (CIPD).
112. In 2013 the CBI published a survey on absence and workplace health.⁵⁸ The survey found an average cost of absence of £975 per employee per year and a median cost of absence of £622,⁵⁹ based on an average of 5.3 days absence per employee. This figure includes the wage costs of absence, as well as an estimate of the reorganisation costs and non-wage labour costs, such as national insurance contributions. We opt to use the median figure to compensate for the rightward skew for the data. This yields a median cost of absence of £587 per work week.⁶⁰ To derive the wage costs, we use ASHE 2012 data to allow for a fair comparison since the absence survey was carried out in 2012, finding median weekly wage costs of £405.80 per employee.
113. After subtracting average weekly wage costs of £405.80 (since employers will no longer be paying an employee's salary whilst on leave) we estimate indirect costs of £180.99. However, these indirect costs do not provide an accurate picture of re-organisation costs, because the estimated weekly absence costs include non-wage labour costs such as national insurance contributions and employer pension contributions, which also have to be accounted for in the labour costs. Failing to

⁵⁷ Parental Bereavement Leave and Pay Impact Assessment, BEIS 2018, <https://www.parliament.uk/documents/impact-assessments/IA17-007.pdf>

⁵⁸ Absence and workplace health survey 2013, CBI.

⁵⁹ The median figure is significantly below the average figure due to a small proportion of employees on costly long term absence

⁶⁰ $(£622/5.3) \times 5 = £587$

update the average weekly wage costs to include National Insurance and employers' pension contributions would implicitly assume that such costs only arise in the case an employee is absent (as they are included in the absence costs), but not when the employee is present at work.

114. Based on Eurostat data⁶¹, we find that that non-wage labour costs are 21.8% of wage costs. Including non-wage costs, we uplift the wage costs by this percentage to derive total labour costs of £494.17. Deducting this figure from the median absence cost estimate above yields a reorganisation cost of £92.62 (18.7% of labour costs). We then apply this percentage to the latest median wages data for 2019 (£479) on the basis that this proportion will not have changed over time, deriving a weekly reorganisation cost of £110. The box below sets out the calculations step by step.

Median Absence Cost = £622 per employee (5.3 days per year)
Median Absence Cost per work week = $[(£622) \div 5.3] \times 5 = £586.79$
Reorganisation Costs = Absence Costs – Total Labour Costs
Total Labour Costs (2012) = Wage Costs x Non – Wage Uplift = $£405.80 \times 1.2178 = £494.17$
Reorganisation Costs (2012) = $£586.79 - £494.17 = £92.62$ (18.7% of Labour Costs)
Total Labour Costs (2018) = $£479 \times 1.2178 = £583.44$
Reorganisation Costs (2018) = $£583.44 \times 18.7\% = £109.35$

Then Total Reorganisation Costs are:

Number of weeks x Total Labour Costs x Reorganisation cost (%)

115. The CBI figure refers to both unplanned and planned absences, whilst the leave considered by this policy proposal is considered to cover planned absence. Reorganisation costs due to planned absence are likely to be smaller as the employer is notified in advance and can plan ahead, which is likely to be the case for Carer's Leave. Therefore, the approach set out above is likely to yield higher absences costs than those actually incurred. Furthermore, we assume that the reorganisation cost per week is a fixed percentage of the total labour costs.
116. The CIPD publishes a similar survey every two years, with the latest findings published in 2016.⁶² The report identifies an average absence of 6.3 days per employee per year, with a median cost of absence of £522 per employee per year, noticeably lower than the figures presented in the CBI survey.
117. Applying the approach used above to the median figures provided by the CIPD survey results in weekly absence costs of £414 ($(£522/6.3)*5$), which is lower than median weekly earnings. This highlights that employers might find it difficult to identify the costs of absence. Employees might also only receive a proportion of their salary when on long-term sick leave. In light of the above we use the CBI survey to estimate reorganisation costs. We will use the consultation to test our approach more comprehensively.
118. Finally, we recognise that there may be variation in absence costs across businesses. This is not modelled in this IA for simplicity. In reality, we would expect some businesses to have reorganisation costs above the estimated average of 20% of total labour costs, while some businesses might face costs significantly below.

⁶¹ http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lc_lci_lev&lang=en

⁶² Absence Management 2016, CIPD.