

Carer's leave IA No: BEIS055(F)-22-LM RPC Reference No: Lead department or agency: Department for Business, Energy and Industrial Strategy Other departments or agencies: N/A	Impact Assessment (IA)
	Date: July 2022
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Primary legislation
	Contact for enquiries: Bryan Halka/ Elena Hartley
Summary: Intervention and Options	RPC Opinion: N/A

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year	Business Impact Target	Status
-£284.9m	-£284.9m	£33.1m	Qualifying provision	

What is the problem under consideration? Why is government intervention necessary?

There are 4.2 million informal carers across the UK, and this is likely to rise in the coming decades with the greater demand for care driven by an ageing society. 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 other employment effects such as taking on fewer senior roles, disruptions to working patterns and absenteeism. Studies over time have found women who started care work were more likely to stop their employment than women who did not start care work. 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.

What are the policy objectives and the intended effects?

The introduction of an entitlement to carer's leave aims to:

- Help support carers to balance their employment and caring responsibilities, by giving more flexibility to take time out of work for caring and more time to do the other things they value, outside of work.
- Recognise the specific needs of unpaid carers in work, many of whom are women aged over 50.
- Allow employers to recruit from the widest possible talent pool and make the most of human resources available to them.
- Help create a minimum standard of support for unpaid carers in work, which we would expect a number of employers to go beyond in terms of pay and/or duration (as many already do).

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 (Non-regulatory approach): Raise awareness through a campaign and/or issue guidance to encourage employers to voluntarily offer provisions to employees in these circumstances. However, in the absence of statutory minima, individual employers may not provide a socially optimal standard and so some of these benefits may not be realised.

Option 3 (Legislative): Create an entitlement to unpaid Carer's Leave, allowing eligible employees to take 1 week of unpaid leave per year. This can be taken flexibly, i.e., in increments of half days or individual days, up to a block of 1 week.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 2029				
Does implementation go beyond minimum EU requirements?			Yes	
Are any of these organisations in scope?	Micro Yes	Small Yes	Medium Yes	Large Yes

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What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: N/A	Non-traded: N/A
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I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by Jane Hunt MP, Parliamentary Under-Secretary of State at the Department for Business, Energy and Industrial Strategy:



Date: 31/08/2022

Summary: Analysis & Evidence

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2021	PV Base Year 2024	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -194.1	High: -509.2	Best Estimate: -348.2

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant	Total Cost (Present Value)
Low	£4.7 million		£22 million	£194.1 million
High	£4.7 million		£58.6 million	£509.2 million
Central Estimate	£4.7 million		£39.9 million	£348.2 million

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

Businesses costs:

- One-off familiarisation costs for large businesses - £4.7 million.
- Reoccurring annual costs relating to administering the leave and familiarisation for small businesses - £9.3 million
- Reoccurring reorganisation costs - £30.6 million

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

There could be additional costs to businesses, as carers use their Carer's Leave entitlement rather than annual leave for caring responsibilities. This will result in an increase in absence over the course of a year.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant	Total Benefit (Present Value)
Low	N/A		N/A	N/A
High	N/A		N/A	N/A
Best Estimate	N/A		N/A	N/A

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

All the benefits of this entitlement are non-monetisable.

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

Affected carers will benefit from having more time to do the things they value the most. This could lead to improved health and social outcomes, such as feeling less stressed and more time to engage in leisure activities. 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 employers will benefit from lower recruitment and training costs. The wider economy may also profit from higher tax receipts from employee carers remaining in the labour market for longer. Finally, people receiving care are likely to benefit, as carers are able to continue providing informal care (which they prefer) and provide a higher quality of care, as carers are likely to be less stressed and fatigued.

Key assumptions/sensitivities/risks	Discount rate	3.5%
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(There is a % degree of uncertainty around the take-up assumptions and the average already duration of leave provided by employers for carers (deadweight).

BUSINESS ASSESSMENT

Direct impact on business (Equivalent Annual):

Costs: £40.4m Benefits: £0.0m Net: £40.4m

Score for Business Impact Target (qualifying provisions only) £m: 165.5

Evidence Base (for summary sheets)

Problem under consideration

1. Informal carers are individuals who look after close family, friends or neighbours with long-term physical or mental health issues, or problems related to old age, where the care is unpaid.¹ Informal 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^{4,5}. The Family Resource Survey (FRS) 2020/21 found that there were approximately 4.2 million people providing unpaid care in the United Kingdom⁶.
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 FRS 2020/21 shows that 53% of all adult informal carers were in employment, compared to 59% of all adults. Adult informal carers are also less likely to be in full-time employment (47%) compared to all adults (52%). Previous research by the OECD⁷ 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 care (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. One 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 noncarers.⁸
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 caring intensity and labour force participation⁹. 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%.
4. Studies have predicted that 5% of UK adults have given up work to provide care for a relative or friend and 4% have reduced their working hours to provide care. This equates to 2.6 million people leaving the workforce. A recent Carers UK/YouGov poll highlighted that the impact of caring on work was highest amongst 45-54 year-olds, where more than 1 in 4 reported that caring had taken a toll

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 <https://www.lse.ac.uk/cpec/assets/documents/Economics-of-caring-2018.pdf>

⁵ <https://www.cambridge.org/core/journals/ageing-and-society/article/growing-care-gap-the-supply-of-unpaid-care-for-older-people-by-theiradult-children-in-england-to-2032/188EC157BB7795173DC970A2CB755720>

⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1063013/Ch5_Care.xlsx

⁷ Francesca, Colombo, et al. *OECD health policy studies help wanted? Providing and paying for long-term care: providing and paying for longterm care*. Vol. 2011. OECD Publishing, 2011.

⁸ 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.

⁹ 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.

on their work (27%)¹⁰. This is also the point at which people are most likely to have developed the skills employers need to succeed. As the population ages, and the number of carers rises, the effects of losing carers from the workforce will grow. This has important ramifications for public finances if carers feel they have no choice but to leave the labour market.

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5. A UK study estimated public expenditure costs of carers leaving work in England to be approximately £2.9 billion per year, made up of £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 employment¹¹. In addition to this, companies such as Centrica have done internal analysis working out their financial savings from supporting their employees with a flexible carer policy and thereby increasing employee retention. Centrica then scaled this up and found that UK businesses could cumulatively save £4.8 billion a year in unplanned absences and a further £3.4 billion in improved employee retention¹². This highlights that businesses financially benefit from supporting carers.
 6. In working fewer hours carers may also face a drop in their earnings, which could be compounded by a rise in expenditure due to the additional costs of caring, such as higher utility bills, transport costs and spending more on care services.¹³ A Carers UK survey found that of carers who had given up work or reduced their working hours to care, 20% were in the region of £10k-£15k a year worse off, with a further 20% losing out on between £15k-£20k of earned income. Working carers who are older are more likely to suffer a drop in income of at least £30k when they take on greater caring responsibilities, reflecting the fact that many carers aged 55-64 have skilled or senior-level jobs¹⁴.
 7. The combined effect of less income and higher costs of 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 benefits¹⁴. 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 than those with little or no caring commitments.
 8. Carers may also see their own health and wellbeing suffer as they put the needs of others before their own. 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 reported 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 England¹⁵, 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 informal carers across ten European countries over an eight-year period found that the provision of informal care was significantly linked with poor

¹⁰ https://www.carersuk.org/for-professionals/policy/policy-library?task=download&file=policy_file&id=214

¹¹ This is broken down as follows: £540m in Income Support, £780m in Housing Benefit, £360m in Carer's Allowance

¹² http://www.carersuk.org/images/News_and_campaigns/Juggling_work_and_unpaid_care_report_final_0119_WEB.pdf

¹³ Carers UK (2015), State of Caring 2015, <https://www.carersuk.org/for-professionals/policy/policy-library/state-of-caring-2015>; ¹⁴ Carers UK (2011) The State of Caring Survey

¹⁴ https://www.npi.org.uk/files/2114/6411/1359/Carers_and_poverty_in_the_UK_-_full_report.pdf

¹⁵ Survey of Carers in Households, 2009/10

mental and physical health, even after accounting for socio-economic statuses such as age, education level and the health condition of the carer in earlier years.¹⁶

9. There is evidence to support the linkages between mental health problems and the impact on personal wellbeing. There have been attempts to estimate the total cost of mental ill-health across the UK which some have estimated to be over £100 billion¹⁷. These costs fall into three different groups: direct spending on health care, spending on social security programmes, costs from lower labour market attachment and personal costs attributed to a lower quality of life. In giving carers the time and space to provide care, the stress and uncertainty arising from caregiving could be mitigated. This could ultimately improve the physical and mental health of carers.

10. 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 WorkLife balance survey found that 48% of full-time carers worked flexibly, compared to 39% of noncarers.¹⁸ There is some evidence to suggest that flexible working could help mitigate the negative impact of caring on employment and could lower the chances of reduced hours of work for carers in Australia and the UK¹⁹. 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' employee²⁰.
11. More generally the pandemic has transformed the way we work and has highlighted that flexible working arrangements can benefit employees without detriment to working environments and productivity. 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-time²¹. In addition to this, although flexible working arrangements provide greater flexibility to carers, they still are often based on fixed pre-arranged agreements with employers that do not account for certain unforeseen short-term changes in caring.
12. Since 1996 all employees have had the right to a 'reasonable' amount of time off work to deal with an emergency involving a dependant²², regardless of whether they live in the same household or if they live separately, provided they are dependent on the employee. There is no limit on how much time off, or how many times emergency leave can be taken; this will typically be negotiated with the employer and one or two days is considered sufficient in most cases. Furthermore, the leave is designed for unforeseen circumstances such as death or illness and is not designed to be used for planned situations e.g., accompanying someone to a hospital appointment. It is also at the employer's discretion whether to pay their staff when taking emergency leave. This therefore

¹⁶ 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.

¹⁷ [https://www.mentalhealth.org.uk/statistics/mental-health-statistics-global-and-nationwidecosts#:~:text=Cost%20of%20mental%20health%20problems%20in%20the%20UK,gross%20domestic%20product%20\(GDP\).](https://www.mentalhealth.org.uk/statistics/mental-health-statistics-global-and-nationwidecosts#:~:text=Cost%20of%20mental%20health%20problems%20in%20the%20UK,gross%20domestic%20product%20(GDP).)

¹⁸ Tipping, Sarah, et al. "The fourth work-life balance employee survey." (2012).

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

²⁰ Arksey, Hilary, et al. Carers' Aspirations and decisions around work and retirement. Vol. 290. Corporate Document Services, 2005.

²¹ Francesca, Colombo, et al. OECD health policy studies help wanted? Providing and paying for long-term care: providing and paying for longterm care. Vol. 2011. OECD Publishing, 2011.

²² This could be a spouse, partner, child, grandparent, parent or someone who depends on care

²⁴ <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/articles/unpaidcarersprovidesocialcareworth57billion/2017-07-10>

provides rationale for an additional entitlement to carers which will enable them take leave for planned situations.

Rationale for intervention

13. Unpaid carers provide vital support to individuals close to them in need of care, and absence of their help would impose a large burden on the social care system. ONS analysis found that unpaid carers provide social care equivalent to £57 billion to the economy²³. Whilst many carers combine their caring and work commitments, it can be difficult to manage these at the same time and this is often at the detriment to the carer's health wellbeing and employment outcomes. Within an ageing society, we can further expect more people to provide care to a family member or dependent for a longer period. Evidence predicts that by 2050 globally three times more people of working age will be looking after two billion ageing family members – and the majority will have to combine that care with paid work²³. Specifically in the UK, over the next 50 years the dependency ratio is expected to fall from 4 to 1 to 2 to 1²⁴. Given the adverse impacts upon unpaid carers, it is likely that these problems will become more acute as the population ages, potentially causing more people to leave employment and increasing the burden of care on a shrinking workforce.

14. Introducing this new entitlement to Carer's Leave would help carers to remain in employment longer, whilst improving their work-life balance. The evidence above illustrates how caring can have

negative health and employment outcomes. A specific entitlement would help people to better manage the competing demands they face, giving them more choice and flexibility in how they combine their responsibilities in a more sustainable manner. Whilst some carers might still choose to leave employment, providing a leave entitlement reduces the risk of situations where leaving work is seen as the only choice.

15. Furthermore, 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. Introducing an entitlement to carer's leave entitlement would send a signal that their contribution is clearly valued by society. The consultation response highlighted that currently 66% of carers had to use annual leave to provide care to dependents.

16. There are existing provisions in statute to help deal with short term emergencies and longer-term care commitments in the form of time off for family and dependants²⁵ and the right to request flexible working²⁶. However, in some cases these provisions may not be enough to help, for example, where the condition of the cared for person is deteriorating over time, or in cases where a short period away of work is needed for transitional events. Evidence shows whilst flexible working can help alleviate the burden of caring, this may not be enough to prevent carers from leaving the workforce all together. Therefore, the new entitlement will not duplicate existing provisions but instead seeks to build on existing rights, giving carers more flexibility in how they combine their work and care responsibilities.

17. 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, 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. This is because providing leave for carers can be considered a positive externality. The

²³ https://www.carersuk.org/for-professionals/policy/policy-library?task=download&file=policy_file&id=214

²⁴ European Commission (2009) The 2009 Ageing Report: Dealing with the impact of an ageing population in the EU. Brussels: European Commission.

²⁵ <https://www.gov.uk/time-off-for-dependants>

²⁶ <https://www.gov.uk/flexible-working>

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.

18. There are several benefits from providing a leave entitlement to carers, both to the individual carrying out the care and to society. Such an entitlement would allow employees to take time off to tend to those in need of care for a set period and avoid the need to use up their annual leave entitlements to offer support. In most cases, several days would be sufficient to deal with problems of a transitional nature. This would also give carers more certainty about their role in the workplace and ultimately help them balance their work and care commitments to remain in the labour market for longer.
19. There are also important business considerations; for employees who drop out of the labour market, this represents a significant cost to employers who have invested in their staff and then suffer from losing their skills and knowledge when they leave work to provide care. There may also be additional costs in having to replace these workers in the form of recruitment and training. Supporting carers in managing their care responsibilities alongside their work could boost staff retention and yield productivity gains for employers. Furthermore, people receiving informal care are likely to benefit from a leave entitlement as their carer's mental health is likely to improve which will enable them to provide better care. In addition to this, carers may be less likely to feel like they need to stop providing care which would result in people in informal care being placed in formal care institutions. Research conducted by One Poll showed that nearly three quarters of people receiving care want to stay in their own homes as they get older, rather than move into residential care²⁷.

20. There is also evidence from the Family Resource Survey (FRS) of gender inequality in the provision of unpaid care with existing survey data²⁸ showing that women aged 45-64 years are most likely to be carers and more likely than men to provide informal care across all age groups, except for those aged 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. In the context of the gender pay gap, 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 and women to contribute more to their pension.
21. Furthermore, introducing an entitlement to carer's leave would ensure the government delivers on its commitments in the 2019 Conservative manifesto.²⁹

Findings from the consultation

22. The 2019 Conservative manifesto committed to introducing one week of leave for unpaid carers. In March 2020 the Government published a consultation that sought views on proposals delivering on this commitment to deliver this commitment and what this would look like to best support carers in balancing their work and personal lives. The consultation received 840 responses, of which:
 - 613 (73%) were from individuals,

²⁷ <https://www.liveincarehub.co.uk/no-place-like-home-report/>

²⁸ FRS 2016/17

²⁹ <https://www.conservatives.com/manifesto>

- 59 (7%) were from employers who identified themselves as either a large, medium, small or micro business,
- 8 (1%) were from organisations who identified themselves as a business/trade representative group,
- 6 (0.4%) were from organisations who identified themselves as a legal representative group,
- 8 (1%) were trade or staff unions; and • 109 (13%) were from individuals/organisations who classified themselves as 'other' (e.g. charities and not for profit organisations)

23. The consultation set out that it could be appropriate for an individual to take carer's leave for a range of reasons, including providing personal or practical support, helping with official or financial matters, providing personal and/or medical care, or making arrangements for care. 89% of respondents strongly agreed or agreed with the proposed reasons for taking carer's leave. Respondents who agreed with the proposed reasons were supportive of the broad approach taken

to defining what carer's leave could be used for and agreed that the suggested tasks were in line with their caring responsibilities.

24. The consultation specifically asked about:

- Eligibility and qualifying conditions.
- The length of entitlement and when the entitlement can be taken.
- Notice and evidence requirements.
- Employment protections and parents' right to return to the same job.

Eligibility and qualifying conditions

1. The consultation sought views on how eligibility for carer's leave might be defined. It was decided that the new entitlement to Carer's Leave will be available to the employee irrespective of how long they have worked for their employer (a day one right).

2. The consultation proposed that the definition for carer's leave should broadly mirror dependant relationships under the right to time off for dependants, meaning a person could take leave to care for:
 - A spouse or civil partner
 - A child
 - A parent
 - A person who lives in the same household as the employee. However, this excludes an employee, tenant, lodger, or boarder that live in the same household.
 - A person who reasonably relies on the employee for care
3. Carer's Leave would be available to those providing care for a dependant with a long-term care need. This would be defined as a long-term illness or injury (physical or mental), a disability as defined under the Equality Act 2010, or issues related to old age.
4. Carers providing care to individuals aged under 18 were not deemed eligible for the entitlement (unless the individual aged under 18 has a disability or other long-term care needs). This would further reduce the eligible population.
5. The consultation response set out a broad definition of what carer's leave can be used for, making clear that carer's leave will be available for providing care, or making arrangement for the provision of care, for a dependant with a long-term care need.

The length of entitlement and when the entitlement can be taken.

6. The consultation responses revealed that there were advantages to carers being able to take the leave in individual or half days, with more respondents commenting on the advantages of this option (for both employers and employees) than disadvantages. It was evident that this flexible option went much further in meeting the needs of unpaid carers who are balancing employment with caring responsibilities. Whilst there are some disadvantages for employers associated with this option, mainly a greater administrative burden as more leave requests would be made, these did not outweigh the benefits for employees.

Notice and evidence requirements

7. Employees will be required to give notice ahead of taking carer's leave. The notice requirement will be in line with that of annual leave, where an employee must give notice that is twice the length of time being requested as leave, plus one day. To enable employers to manage and plan for absences, employers will be able to postpone, but not deny, the leave request for carer's leave. The grounds on which they can do so will be strictly limited to where the employer considers that the operation of their business would be unduly disrupted. Employers will be required to give a counter-notice if postponing the request to take Carer's Leave.
8. Based on the challenges raised in relation to asking for and managing sensitive personal or medical information relating to a third party, we will not introduce any evidence requirements when an employee self-certifies their entitlement to carer's leave. A false application can be dealt with in the same way as a false claim for sickness absence or any other disciplinary matter.

Employment protections and parents' right to return to the same job.

9. During the consultation, 90% of individuals and 81% of employers and business representative organisations agreed that carers taking Carer's Leave should have the same protections, and right to return to work as those employees taking other forms of leave entitlements.
10. Carers who qualify for Carer's Leave will be afforded the same employment rights and protections as other leave entitlements. This means that they will be protected from detriment or discrimination arising from them taking, or seeking to take, Carer's Leave. In addition to this, carers taking this entitlement will also have a right to return to the same job after a period of Carer's Leave.

Policy Objective

11. Providing an entitlement to carer's leave would:

- Help support carers to balance their employment and caring responsibilities, by giving more flexibility to take time out of work for caring and more time to do the other things they value, outside of work.
- Recognise the specific needs of unpaid carers in work, many of whom are women aged over 50. Allow employers to recruit from the widest possible talent pool and make the most of human resources available to them.
- Help create a minimum standard of support for unpaid carers in work, which we would expect a number of employers to go beyond in terms of pay and/or duration (as many already do).

12. The main options being considered are:

Option 1 - Do nothing

13. 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, with an unequal pattern across the labour force. Furthermore, this 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. Lastly this option would not deliver the 2019 manifesto commitment or address the challenge of an ageing society.

Option 2 - (Non-regulatory approach)

14. This option would aim to raise awareness through a campaign and/or issue guidance to encourage employers to voluntarily offer provisions to employees in these circumstances. However, in the absence of statutory minima, individual employers may not provide a socially optimal standard and so some of these benefits may not be realised. In addition, employers are unlikely to offer consistent support which will lead to discrepancies between the support provided in individual cases, both across and within employers. The absence of minimum standards could result in some carers facing undue stress, additional costs and falling out of the labour market due to the difficulty in balancing employment and caring responsibilities.

15. In addition to this, a non-legislative option would not help in meeting the manifesto commitment to introduce a new statutory entitlement, which would require legislation.

Option 3 – Introduce a statutory entitlement to Carer's Leave

16. This option would require primary legislation. 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 non-emergency, planned caring activities.

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

17. 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 Committee have previously recommended the introduction of five days of paid carer's leave, available to all working carers regardless of employment type.
18. This entitlement would give carers 5 days a year of Carer's Leave which can be taken flexibly. This means that the five days can be taken in a block or increments of one day. This entitlement 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.
19. The primary legislation will give the Secretary of State powers to make regulations to implement the entitlement to Carer's Leave but it introduces no immediate impact to Business or the Exchequer. Secondary legislation will be needed, through an affirmative SI, to implement Carer's Leave. We have outlined these impacts of the full entitlement in this IA and will update where necessary in a secondary Impact Assessment.

Policy Summary: Create an entitlement to unpaid Carer's Leave, allowing eligible employees to take an entitlement of 1 week of unpaid leave per year. This can be taken flexibly, i.e., in increments of half days or individual days, up to a block of 1 week.

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

20. 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 possible, we have made use of methodology employed in the Shared Parental Leave and Pay and the Parental Bereavement Leave Impact Assessments to better understand the costs and benefits faced by business. We have taken a proportionate approach to the analysis for this IA and drawn from evidence from the Work Life Balance Survey to estimate potential take-up³². The central estimate for the take-up of Carer's Leave is 29% of the population of carers. As well informed as this assumption might be, there is always a large degree of uncertainty around the take-up of this policy. We have attempted to address this uncertainty by conducting sensitivity analysis and flexing the take-up rate to 15% in the low take-up scenario and 45% in the high take-up scenario.

Data sources

21. The evidence underpinning the population of carers in this Impact Assessment is estimated using the Family Resource Survey (FRS). The FRS is a continuous household survey which collects information on a sample of private households in the UK. It is one of the UK's largest household surveys as it surveys around 20,000 households. It is carried out by the Office for National Statistics (ONS) and provides statistics on the living standards and circumstances of people living in the UK, such as, caring needs and responsibilities. The most recent publication provides data on the

number of carers in 2020/21. It shows that there are 4.2 million carers in the UK. The FRS also provides data on the number of carers which are in employment and have employee status. We use this to narrow the population of carers to the eligible population for this entitlement. This reveals that there are 1.9 million eligible carers in the UK.

³² <https://www.gov.uk/government/publications/work-life-balance-survey-number-4>

Monetised and non-monetised costs and benefits

Modelling Approach

22. We have attempted to model the costs and benefits to individuals and businesses from introducing a new entitlement to carer's leave using the limited information available. The costs and benefits would only arise upon the implementation of the policy. The impacts estimated throughout should be interpreted as indicative best estimates.
23. The model first attempts to build the target population that would be affected by the entitlement. The model then applies assumed take-up rates to the eligible population to give a sense of the total number of carers who may use the entitlement. The business costs are then estimated based on the estimated take-up population. For business costs, we calculate the costs of absence borne when employees are on leave and recurring administrative costs from processing leave requests. Furthermore, we also model the business familiarisation costs.
24. 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 policies available at the required duration for each option to give an accurate assessment of the costs and benefits.

Target Population

25. To estimate the number of individuals in scope of a statutory entitlement to carer's leave we make use of data from the FRS³³, which collects information on a representative sample of households across the United Kingdom and is carried out at yearly intervals. The FRS 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.
26. According to FRS 2020/21, 6% of the UK population (4.2 million) were informal carers, with women making up 60% of the carer population (2.5 million). This is the most recent data we have available on the number of unpaid carers across the UK. Since employment matters are devolved in Northern Ireland (NI), the policy would only apply to Great Britain (GB).
27. To ensure the costs and benefits are modelled for GB only, we use ONS population statistics³⁴ to strip out Northern Ireland. Calculations for the weighting factor are shown below in Table 1.

	GB Population (2020) (Thousands)	UK Population (2020) (Thousands)	Percentage
Males	32,212	33,146	97.2%
Females	32,974	33,936	97.2%

28. 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.

³³ <https://www.gov.uk/government/collections/family-resources-survey--2>

³⁴ <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections>

	UK Carer Population (Millions)	Percentage	GB Carer Population (Millions)
Males	1.7	97.2%	1.7
Females	2.5	97.2%	2.4

29. Since the leave entitlement would only be available to those who are currently employed, we have to 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 in employment. However, male informal carers (9%) are more likely to be in self-employment compared to females (4%). In Table 3 the employment status proportions are applied to obtain the volume of employee carers, split by gender.

	Males	Females
All Employed ³⁵	53	52
Employees	44	48
Self-Employed	9	4

Source: FRS 2020/21

Box 1 shows how the number of employee carers was calculated.

Box 1

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 = 1.7 million x 44% = 952,000

Female Employee Carers

Carers in full-time employment = 2.5 million x 48% = 1,300,000

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30. The estimate of eligible carers is essentially 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.

31. Additionally, the caring population is relatively fluid: in a given year a significant number of carers move both in and out of caring. If the net flow into caring is positive, the costs will be

³⁵ Includes both employees and the self-employed

underestimated, while if the net flow into caring is negative the costs will be overestimated. Whilst we cannot predict with certainty how the eligible population might change upon policy implementation, we feel the risk is somewhat alleviated by the fact the leave is unpaid, limiting the risk of abuse of the entitlement.

Take-up behaviour

32. 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 of take-up rates for a carer’s entitlement is limited. Facing these evidence gaps, we have attempted to use evidence on take-up from the Work Life Balance Survey³⁶. In this survey, it estimated that 29% of employees with caring responsibilities would likely take unpaid time off for dependants which we believe to be a comparable policy to Carers Leave. Therefore, we have assumed a take-up rate of 29% when modelling the costs of Carer’s Leave. To account for uncertainty, we have created a low and high take-up rate to model the costs of this new entitlement. We have assumed a take-up of 15% for the low scenario and 45% for the high scenario. Stakeholders have indicated there is strong demand for this policy and therefore we think that it is unlikely that fewer than 15% of carers will take up this entitlement to Carer’s Leave. Alternatively, we think that fewer than 45% of carers will take this policy as evidence from other family friend leave entitlements, like Paternity Leave, which is around 60% based on the Parental Rights Survey³⁷ and this is a paid leave entitlement.

Table 4: Take-up scenarios

	Low Estimate	Central Estimate	High Estimate
Proposed option	15%	29%	45%

33. The Work Life Balance Survey did not examine the duration for which unpaid carer’s leave was taken. However, it is reasonable to expect that not all carers will use the full 5 days of Carer’s Leave available to them. Some carers will find fewer days sufficient for them to fulfil their caring needs, i.e., supporting someone who is attending a single hospital appointment. In addition to this, as this is an unpaid leave entitlement some carers will be disincentivised to take the full entitlement of leave, as they do not want to lose more of their income. Existing survey evidence shows that one of the key reasons for not taking leave is because of affordability.³⁸ Therefore, it makes sense to taper the take-up rate, so it is highest for day 1 and lowest for day 5. We have modelled this with a simple linear taper and increased/decreased the take-up rate by 1.5% for the central scenario (0.5% for the low scenario and 3% for the high scenario) around the mean on day 3. This approach has been endorsed as a reasonable assumption to make the absence of stronger evidence by relevant stakeholders - Carer’s UK and CIPD.

34. The daily take-up rates are used to calculate the absence costs in this Impact Assessment. Table 5 below shows how the take-up changes across the five days for each scenario.

Table 5: Take-up Taper

	Low Estimate	Central Estimate	High Estimate
Day 1 take-up rate	4%	8.8%	15%

³⁶ <https://www.gov.uk/government/publications/work-life-balance-survey-number-4>

³⁷ Parental Rights Survey 2018 as yet unpublished

³⁸ Maternity and Paternity Rights Survey (2009/10)

Day 2 take-up rate	3.5%	7.3%	12%
Day 3 take-up rate	3%	5.8%	9%
Day 4 take-up rate	2.5%	4.3%	6%
Day 5 take-up rate	2%	2.8%	3%
Total	15%	29%	45%

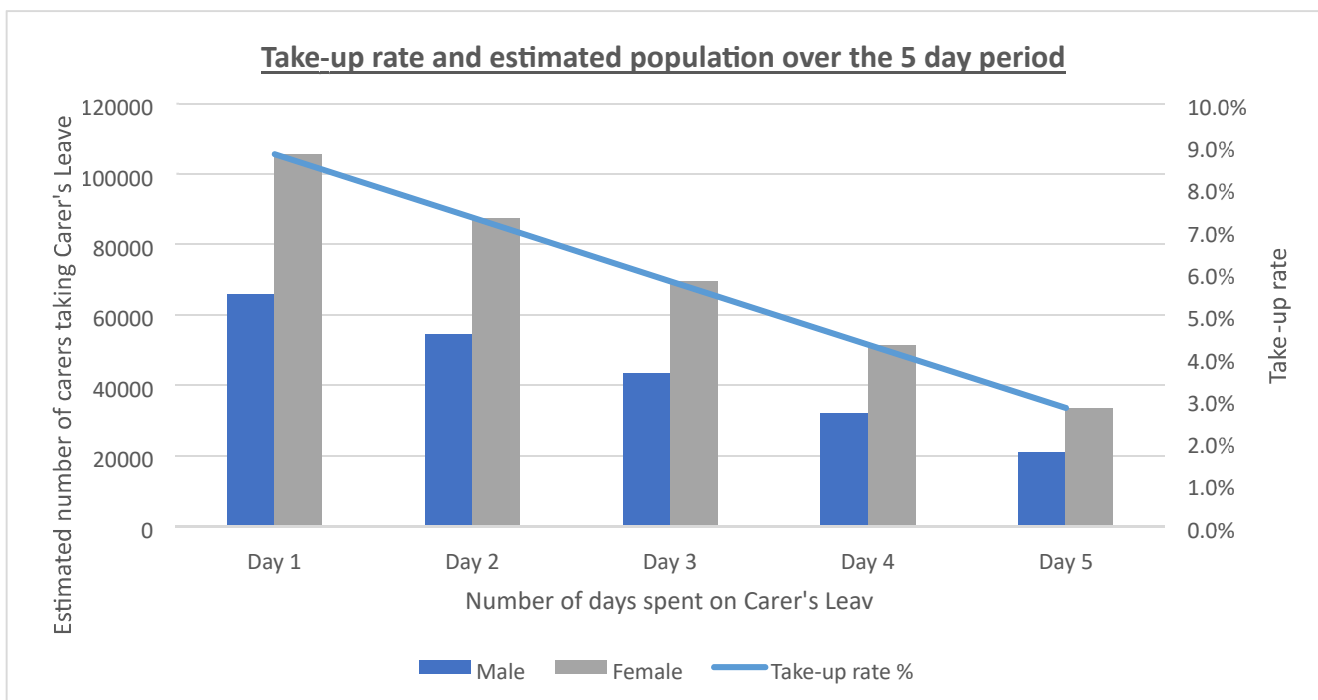
Table 6 below shows the estimated number of people taking carers leave in a year.

Table 6: Predicted number of carers taking this new entitlement before adjusting for deadweight

	Low Estimate	Central Estimate	High Estimate
Day 1 take-up	77,900	171,400	292,200
Day 2 take-up	68,200	142,200	233,800
Day 3 take-up	58,400	113,000	175,300
Day 4 take-up	48,700	83,800	116,900
Day 5 take-up	39,000	54,500	58,400
Total	292,200	564,900	876,600

35. The graph below shows how the take-up rate changes across the 5-day period for men and women. The estimated target population is used to calculate the absence costs.

Graph 1: Take-up rate and estimated population (central estimate)



Monetised and Non-monetised Benefits

Monetised Benefits:

36. This Impact Assessment does not include any monetised benefits, as assigning a value to the social benefits which could arise from the proposals is uncertain and it is difficult to establish what this means for different individuals. In addition to this the majority of benefits to employees are unobservable and therefore are hard to monetise, i.e., improved attachment to the labour market. This is similar to other family related pay entitlement analysis, which also face this issue, such as in the Parental Bereavement Impact Assessment.

Non-monetised benefits:

Wider benefits to the Economy

37. Introducing a new entitlement for carers to take time away from work to care for a dependant would help in meeting the core policy objective of helping carers balance their working and caring commitments in a more sustainable and manageable manner. The Personal Social Services Research Unit (PSSRU) at the LSE used the 2009/10 Survey of Carers in Households and 2010 ONS population data to estimate the public expenditure costs resulting from carers leaving the labour market to be £1.3 billion a year based on the costs of Carers Allowance and lost tax revenues on foregone income.³⁹ They established that approximately 315,000 carers in England had left employment.
38. The PSSRU have since updated their estimates of the number of carers who have left employment due to their caring responsibilities, using 2011 census data, to claim that 345,000 carers have left employment and have claimed that their earlier estimates understated the true public expenditure costs of carers leaving the labour market. In addition, they state that their previous study only quantified the cost of Carer's Allowance (CA) and tax receipts on foregone income. In more recent analysis they have presented additional estimates of other key benefits carers may receive once they have left employment such as Housing Benefit and Income Support. Including these with other benefits carers may claim, they find they estimate the annual public expenditure costs of carers leaving work to be £2.9 billion per year. This 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.⁴⁰
39. Evidence on the demography of carers finds that individuals are most likely to provide care when they are in the 45 - 64 age category (26%).⁴¹ 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 group⁴² shows that weekly earnings peak during the 40 – 49 age group (£536.60 per week) before dropping as time goes on. The benefit of keeping these workers in the labour market is compounded as this is the point in their life at which they will be able to contribute the most to the economy in terms of the taxes they pay on their income.
40. Whilst we cannot say that the introduction of such a leave entitlement will prevent these carers from leaving the labour market, especially in the most severe cases, the availability of provisions to better manage working and caring responsibilities will give carers additional support alongside existing rights such as the right to request flexible working and other flexible working practices e.g., flexitime and part-time working. Even if the leave entitlement prevents a small fraction of those who otherwise would have left employment, additional benefits will accrue from people being able to earn more income over their life and contribute to the public finances in the form of tax receipts.
41. In addition to this, the total expenditure in 2019/20 on adult social care by local authorities was £23.3 billion, up more than £1 billion from the previous year. However, in real terms (i.e., adjusting for inflation), total expenditure was only £99 million more than the level it was in 2010/11, despite increasing demand for services. The increasing number of care-dependent people leads to a high

³⁹ Pickard, L., et al. "Overcoming barriers: Unpaid care and employment. Findings from the Scoping Study." *National Institute for Health Research (NIHR) School for Social Care Research (SSCR), London* (2012).

⁴⁰ 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.

⁴¹ FRS Data, 2016/17

⁴² Annual Survey of Household Earnings, 2017/18

economic burden for most healthcare systems. In addition to this, the pandemic has led to an increase of around 200,000 people classed as “long-term sick” who are likely to require care⁴³. Institutional care is the primary cost driver in long-term care and costs for long-term care in nursing homes exceed those of home-based care⁴⁶. Hence, enabling care-dependent people to stay in a home-based care setting is an efficient cost-cutting strategy for funding agencies.

Employer benefits

42. Employers could benefit from lower staff turnover through a new leave entitlement, if fewer carers leave the labour market in order to tend to someone in need of care. This will reduce recruitment and training costs. A CIPD survey⁴⁴ 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 support⁴⁵. 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 in the event that they left the workplace.

43. There is some evidence to suggest that the availability of family friendly policies can lead to improved workplace performance in terms of labour productivity and financial performance.⁴⁶ In addition, there is also evidence of positive outcomes linked with firms providing policies designed to promote a good work-life balance. These include high levels of job satisfaction,

44. Furthermore, as well as helping to improve staff retention, further reputational benefits could follow in the event that 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.

Individual benefits

45. 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 survey⁴⁷ 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 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

⁴³ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/latest>

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/latest>

⁴⁶ https://www.researchgate.net/publication/331726283_Needs_and_preferences_of_informal_caregivers_regarding_outpatient_care_for_the_elderly_A_systematic_literature_review

⁴⁴ Sample based on responses of 1,068 HR professionals.

⁴⁵ 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

⁴⁶ Forth, John, and Robert McNabb. "Workplace performance: a comparison of subjective and objective measures in the 2004 Workplace Employment Relations Survey." *Industrial Relations Journal* 39.2 (2008): 104-123.

⁴⁷ Survey of household carers, 2009/10

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.

46. 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. In light of findings above this could lead to benefits in health and social outcomes, which would help reduce the strain on formal healthcare infrastructure. Quantifying the value of these benefits is made complex as it is difficult to precisely attribute the impact the policy proposals will have on these outcomes.
47. As the entitlement to Carer’s Leave is unpaid, carers wishing to use this new entitlement will have to forego earnings in order to take the leave and fulfil their caring duties. The loss of these earnings will impose a cost on individuals. However, employees will only take up this policy if the benefit of taking the leave outweighs the lost earnings. This, therefore, highlights that employees who take up this new entitlement believe that it is value for money and an overall benefit to them.

Benefits to people receiving care

48. The introduction of Carer’s Leave will also result in benefits to people receiving care. This is because carers will likely be less stressed and tired from balancing both caring and work needs. This will result in them providing better quality care and also possibly increasing the quantity of care they provide.
49. In addition to this, the majority of the general population wishes to stay at home in old age and would prefer to receive informal care from children or formal care from home assistance services, rather than go into a care home. Research conducted by One Poll in 2014 revealed that 97% of people do not want to go into a care home if they become ill or less able to cope⁴⁸. This highlights

the importance of supporting informal carers so that they can help provide the type of care people want.

Costs to business

50. In this section we explore the different costs relating to the impact for both the short-term and longterm Carer’s Leave. The classification of costs incurred by affected businesses are outlined in table 7.

Table 7: Classification of costs

Type of cost	Further Information
Deadweight costs	Deadweight: this refers to outcomes that would have occurred without Government intervention and arise because businesses already have arrangements in their organisations allowing carers to take leave away from work to tend to their caring responsibilities.
Absence costs	Re-organisation costs: Employers have to reorganise work among current staff, provide temporary cover or accept a small fall in output in response to employees going on leave.
Familiarisation costs and one-off costs	Employers must familiarise themselves with the new policy to understand how this affects their business.

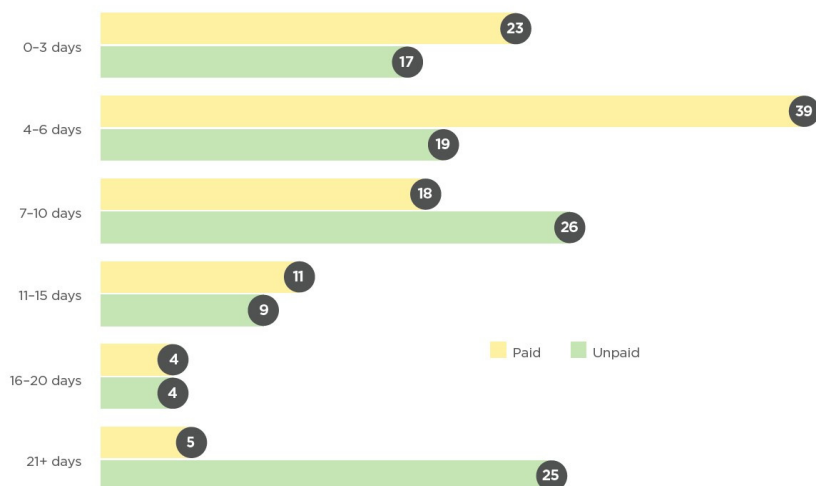
⁴⁸ <https://www.liveincarehub.co.uk/no-place-like-home-report/>

Administrative costs	Employers incur administrative costs as they administer requests for Carer’s Leave through their HR systems.
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Deadweight cost

51. We account for deadweight in the Impact Assessment to avoid overestimating the costs faced by employers. In this Impact Assessment we are only accounting for the “additional” costs of the policy.
52. Estimating the number of companies already providing leave to carers is difficult and so we have used a range of sources to try and accurately account for deadweight. Firstly, a CIPD survey⁴⁹ of senior HR professionals, weighted to be representative of the UK business population in 2016 found that 59% of organisations provided unpaid leave to carers. Graph 2 is found in the CIPD report and shows the distribution of days already offered by firms.

Graph 2: CIPD evidence showing approximately how many days of leave per year carers are offered in organisations to help them cope with their responsibilities (%)



53. The survey results shows that 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. We must also bear in mind that this distribution only reflects those firms that currently do offer leave for carers and thus to calculate this

⁴⁹ https://www.cipd.co.uk/Images/creating-an-enabling-future-for-carers-in-the-workplace_tcm18-10530.pdf

percentage relative to all firms we multiply the proportion of firms offering a given amount of leave by 59%.

Box 2 shows how we have calculated the relevant figures below.

Box 2

Percentage of companies offering at least 10 days of unpaid leave

59% of companies currently offer leave to carers, of these 26% offer between 7 and 10 days. Assuming equally distributed bands, 6.5% ($26\% \div 4$) offer 10 days. A further 4% and 25% offer 16 – 20 days and at least 21 days respectively. Therefore, 44.5% of these firms offer at least 10 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 26.3% ($44.5\% \times 59\%$), provide at least 10 days of leave.

54. Following this approach yields the distribution below (Table 8). This shows that 45% of companies offer at least 5 days of unpaid leave to carers.

Table 8: 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

55. However, as this is not a specific leave entitlement for carers, awareness and take-up of this leave is low and carers continue to juggle work and care without taking time away from work. 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. 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.

56. Finally, BEIS commissioned IFF Research to undertake the Employee Rights and Experience Survey in 2020, with the aim of providing updated and statistically reliable evidence on the experiences of employees and workers in the modern workplace. It covers a range of topics, including employee’s awareness of carers leave and the percentage of employees who are able to take unpaid leave to provide care. The Employee Rights and Experiences Survey, which is currently not yet published, finds that amongst carers who had the option to take carers leave, just over half indicated that it would count as unpaid leave (53%).

57. We have decided to use the evidence from the Employee Rights and Experience Survey to inform our deadweight assumption as it relates directly to an unpaid leave entitlement for carers and is the most up-to-date source available.

58. In this Impact assessment we assume that 53% of the administration costs is deadweight and therefore should not be included. Deadweight also needs to be accounted for when calculating the absence costs. However, in line with our earlier assumption that the take-up rate will be highest for day 1 and lowest for day 5 and the above CIPD evidence which shows that the deadweight will also be highest for day 1, we have decided to also taper the deadweight. In accordance with the CIPD evidence, we have made an assumption that deadweight will fall by 3% for every additional day of leave. Table 9 below shows how the deadweight changes over the 5-day period.

Table 9: Deadweight Taper

	Deadweight taper
Day 1 take-up rate	53%
Day 2 take-up rate	50%
Day 3 take-up rate	47%
Day 4 take-up rate	44%
Day 5 take-up rate	41%

59. Table 10 below shows the estimated number of people taking carers leave in a year before and after accounting for deadweight.

Table 10: Predicted number of carers taking this new entitlement after adjusting for deadweight using the Central Estimate

	Before adjusting for deadweight	After adjusting for deadweight
Day 1 take-up	171,400	80,600
Day 2 take-up	142,200	71,100
Day 3 take-up	113,000	59,900
Day 4 take-up	83,800	46,900
Day 5 take-up	54,500	32,200
Total	564,900	290,600

Non-monetised Costs

60. 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. This might reduce the amount of annual leave taken over the course of the year for some employees, as they no longer use their full annual leave entitlement. Alternatively, some employees may prefer to use their annual leave for caring responsibilities, as this is an unpaid entitlement and annual leave is paid at full-pay. Given the lack of evidence here, we have not modelled any displacement/interaction effects that the new entitlement would have on annual leave.

Monetised Business Costs

One-off familiarisation costs

61. Creating a new entitlement will create familiarisation costs for business. Whilst this would create a new burden for employers in understanding the new rights, we would imagine this would be proportionate to the size of the business. 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. This means that when the legislation is introduced, businesses with fewer than 50 employees may opt to spend a short time viewing online guidance but little beyond this. Instead, we assume they will spend additional time when they are processing requests (recurring administrative costs) to account for their lack of familiarity but making it dependent on estimated case numbers.

62. 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.
63. The legislation will, as far as possible, follow the structure of existing family related leave entitlements. Therefore, we would expect familiarisation to only impose a limited burden on businesses. Some of the familiarisation could include understanding how employer's own leave schemes interact with the leave entitlement and update their internal guidance accordingly. How far employers go beyond understanding the entitlement and updating systems would be at their own discretion and therefore our estimates do not account for this
64. 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 how this fits with any existing policies available.
65. For all firms, time has been valued using data from the Annual Survey of Hours and Earnings (ASHE) 2021⁵⁰. For businesses with 50 employees or more we assume a HR Manager/Director will lead on familiarisation. We have used a mean wage figure for HR Managers and Directors (SOC code 1135) of £26.51 per hour and have uprated this by 17.95% to £31.27 per hour to include nonwage labour costs for large firms (at least 50 employees)

Box 3 shows how we have calculated these costs in practice.

⁵⁰ ONS Annual Survey of Hours and Earnings, 2021 results

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2021>

Box 3: Derivation of one-off familiarisation costs

The standard approach used in similar family-related leave entitlements to costing familiarisation has been used. Since these are one-off familiarisation costs, frequency is assumed to have value

Familiarisation cost

$$= \text{Average wage rate per hour (HR Director)} \times \text{time spent on activity} \\ \times \text{no. businesses affected} \times \text{frequency}$$

Table 11: Using the 2021 BEIS Business population estimates for the whole economy, we estimate total one-off familiarisation costs to be £4.7m.

Table 11: Total familiarisation costs for Carer's Leave

<u>Firm size (number of employees)</u>	<u>Number of firms</u>	<u>Average familiarisation time</u>	<u>Estimated cost to business</u>
(a) 1	130,800	N/A	£0.0m
2-4	771,100	N/A	£0.0m
5-9	272,600	N/A	£0.0m
10-19	142,500	N/A	£0.0m
20-49	77,600	N/A	£0.0m
50-99	25,800	3h	£2.4m
100-199	12,000	3h	£1.1m
200-249	2,500	3h	£0.2m
250-499	5,000	3h	£0.5m
500+	5,400	3h	£0.5m
Total	1,445,300		£4.7m

Source: BEIS estimates based on 2021 Business Population Estimates and 2021 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.

Recurring administration costs

66. Recurring administrative costs are assumed to be the cost of administering requests for Carer's leave. We estimate the number of requests based on the level of take-up outlined above for low, central and high case scenarios.
67. 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.
68. Based on ASHE data, we use the uprated average wage (including non-wage labour costs) for an HR Manager/Director of £31.27 per hour. For a Manager/Director/Senior Official (for firms with fewer than 50 employees) we estimate an uprated wage rate of £31.30 per hour. The cap on the number of weeks available does not impact the recurring administrative costs. The costs are based on the number who would qualify for the leave entitlement⁵¹.

Table 12: Recurring Administrative Costs

	Low Estimate	Central Estimate	High Estimate
No. of eligible carers for leave entitlement	1,948,000	1,948,000	1,948,000
No. carers taking up leave entitlement	292,200	564,900	876,600
Large firms			
	71%		71%
Employees in workplaces with 50 or more people (%)		71%	
Time per case (hrs)	0.5	0.5	0.5
Eligible carers in large businesses	206,800	400,000	620,500
Eligible carers in large businesses who are already receiving carers leave (deadweight)	109,600	211,900	328,900
	£31.27	£31.27	£31.27
Uprated hourly rate of HR Manager/Director			

⁵¹ ASHE wage rate for Manager/Director/Senior Official = £20.60. $20.60 \times 1.207 = £24.86$

Recurring costs before accounting for deadweight (£million)	£3.2m	£6.3m	£9.7m
Recurring costs after accounting for deadweight (£million)	£1.5m	£2.9m	£4.6m
Small firms			
Employees in workplaces with less than 50 people (%)	29%	29%	29%
Time per case (hrs)	1.5	1.5	1.5
Eligible carers in small businesses	85,400	165,000	256,100

Eligible carers in small businesses who carers leave (deadweight)	45,200	87,500	120,400 are already receiving
Uprated hourly rate of Manager/Director/Senior Official	£31.30	£31.30	£31.30
Recurring costs before accounting for deadweight (£million)	£4.0m	£7.7m	£12.0m
Recurring costs after accounting for	£3.3m	£6.4m	£9.9m deadweight (£million)
Total (£million)	£4.8m	£9.3m	£14.5m

Sources: Employment shares are taken from the 2021 BEIS Business Population Estimates, wage data from 2021 ASHE. Summary figures might not add up to the sum of components due to rounding. (a) Figures rounded to the nearest £0.01m. May not add up due to rounding

Absence costs

69. 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 which is likely to be more expensive than the absent employee and could be less productive. Businesses may also have to reallocate work among existing staff, whilst the staff are absent and could incur higher costs from having to pay existing staff overtime in order to keep output constant or may even reallocate resources from elsewhere, resulting in a loss in output.

70. Our approach to estimating the weekly 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 £203.60 per week per employee⁵² (see Annex A for a further breakdown).

⁵² <https://www.cbi.org.uk/media-centre/articles/time-for-employers-to-place-workplace-health-and-wellbeing-front-of-mind-cbibupahcahealthcare/>

71. To account for the fact that not all carers will make use of the full entitlement we divided the weekly reorganisation cost (£203.60) by 5 to find the daily reorganisation cost. Using the tapered estimated number of people taking Carer’s Leave (after accounting for deadweight) we then calculated the reorganisation costs for each day of leave.

	Per employee daily reorganisation cost	Final reorganisation
Day 1 Reorganisation costs	£40.72	£3.3m
Day 2 Reorganisation costs	£81.44	£5.8m
Day 3 Reorganisation costs	£122.16	£7.3m
Day 4 Reorganisation costs	£162.88	£7.6m
Day 5 Reorganisation costs	£203.60	£6.6m

Box 4 provides a description over the overarching approach to estimating the absence costs.

Box 4: Reorganisation costs

We calculate the reorganisation costs for one day of carers leave, with a total of 5 days available to carers. Annex A provides a breakdown of how the weekly reorganising cost is derived.

$$\text{Day 1 reorganisation costs} = \text{No. Cases} \times \text{Reorganisation day 1 cost}$$

Reorganisation costs

$$= 80,600 \text{ (predicted day 1 eligible population)} \\ \times \text{£40.72 (Reorganisation cost for day 1)} = \text{£3.3m}$$

Table 14: Absence costs for Business

	Low Estimate	Central Estimate	High Estimate
Proposed option	£17.2m	£30.6m	£44.1m

Exchequer Costs

72. Some employees who take up their entitlement to unpaid carer’s leave may become eligible to claim Carer’s Allowance, depending on their circumstances – e.g. if they are providing care for at least 35 hours a week, if the individual receiving the care is entitled to certain benefits, and if the carer is earning less than £128 per week. Therefore, the introduction of Carer’s Leave could make a small proportion of carers eligible for Carer’s Allowance, if their average wage falls and / or the hours of care they are providing increases. Carer’s Allowance currently entitles an individual to £67.60 a week (subject to the conditions above), and so this could create a cost for the Exchequer.

73. In a similar way, it is possible that individuals could make claims for Universal Credit as a result of their pay reducing by 1 to 5 days when they take up their entitlement to unpaid carer’s leave. However, it is considered unlikely that many households will make a new claim given the temporary and time limited nature of unpaid carer’s leave. The more likely impact would be that households

already claiming Universal Credit it would see a small automatic increase in their payment if their monthly earnings were lower. This could create a cost for the Exchequer.

74. BEIS has worked closely with the Department for Work and Pensions to understand the potential cost impact on both Carer’s Allowance and Universal Credit. These costs are subject to a high level of uncertainty driven by the nuanced interaction with the benefits system and the behaviour of those individuals on Carer’s Leave, which we cannot predict with certainty. We expect any increase to be very small.

Summary

75. The table below summarises all the monetised costs presented within the Impact Assessment for the proposed policy. The costs of this policy will be realised when the regulations come into effect, which we could expect would come in at 2024 at the earliest.

Table 15: Summary of the costs and the benefits

	COSTS		
	Low Estimate (£m)	Central Estimate (£m)	High Estimate (£m)
Business costs			
One-off (familiarisation costs)	£4.7	£4.7	£4.7
Recurring (annual) costs	£22.0	£39.9	£58.6
<i>Of which absence costs</i>	£17.2	£30.6	£44.1
<i>Of which recurring admin costs</i>	£4.8	£9.3	£14.5

Small and Micro – Business Assessment (SaMBA)

76. 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 them from the new entitlement would not help in meeting the intended policy objectives for carers who happen to work in smaller businesses. 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. The policy needs to be consistent across employers for it to work. 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 in the event that small and microbusinesses were exempted from the policy. Whilst these benefits are yet to be quantified, where possible, their existence is independent of the size of the business.

77. Using Business population statistics⁵⁶, we estimate that about 97% of businesses affected are small and micro businesses and these businesses account for 29% of employees.⁵⁷ 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 29% 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 has been designed to be fairly 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.

Table 16: A breakdown of firm size.

Firm size (number of**Number of firms Employees employees)**

1 ^(a)	130,800	137,000
2-4	771,100	2,197,000
5-9	272,600	1,883,000
10-19	142,500	1,999,000
20-49	77,600	2,422,000
50-99	25,800	1,831,000
100-199	12,000	1,708,000
200-249	2,500	569,000
250-499	5,000	1,760,000
500+	5,400	15,064,000
Total in small and microbusinesses	1,394,600	8,638,000
Share in small and micro-businesses	96.5%	29.2%

78. 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 to see if the smallest firms bear a disproportionate burden. Table 14 below shows how the total annual costs are split between different sized firms for each option.

⁵⁶ BEIS Business Population Figures

Table 17: Share of costs by business size

	Small & Micro (fewer than 50 employees)	Medium/Large (at least 50 employees)
	34.3%	65.7%

79. Small firms are expected to bear around 34% of overall annual costs, which does not seem disproportionate when compared to the share of employees working in these firms (29%). Whilst we have used the overall employee distribution to model these costs, this is on the basis that the employment characteristics of the proxy population (carers) was very similar to the overall employee population in terms of how they were distributed across small & large firms.

Equality Assessment

80. As a part of the Equality Act 2010, the Department for Business, Energy and Industrial Strategy (as a public body) is legally obligated to have due regard for equality issues as part of the Public Sector Equality Duty (PSED). The PSED must have due regard to the need to:

- i. Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- ii. Advance equality of opportunity between people who share a protected characteristic and those who do not.

iii. Foster good relations between people who share a protected characteristic and those who do not.

81. The protected characteristics consist of nine groups: age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation. This Equalities Assessment considers the potential equality impacts of the preferred option across as many of these characteristics as possible.

82. We have assessed whether the target population is significantly different from the whole population to see if the introduction of Carer’s Leave disproportionately affects any group of people with protected characteristics. We have done this using data from Q1 of the 2019 LFS dataset. This quarter of data was used as it contains an additional variable on whether someone is a carer.

Age

83. The policy is aimed at helping carers and so will more likely benefit employees aged between 50 and 59 brackets based on demographics of carers (Table 15). However, there is no age-related criterion for this policy and all employee carers would be able to access the new entitlement.

Table 18: Age distribution of employees

84. Age	85. Carers	86. All employees
87. 16 – 19	89. 1.4%	91. 3.5%
88. 20 – 24	90. 3.8%	92. 9.4%
93. 25 – 29	94. 6.0%	95. 12.4%
96. 30 – 34	97. 6.4%	98. 12.1%
99. 35 – 39	100. 7.3%	101. 11.3%
102. 40 – 44	103. 9.4%	104. 10.4%
105. 45 – 49	111. 13.7%	117. 11.4%
106. 50 – 54	112. 19.3%	118. 11.5%
107. 55 – 59	113. 18.9%	119. 9.6%
108. 60 – 64	114. 10.4%	120. 5.8%
109. 65 – 69	115. 2.6%	121. 1.7%
110. 70+	116. 0.9%	122. 0.9%
123. Total	124. 100%	125. 100%

Source: BEIS internal analysis, Labour Force Survey, Jan-Mar 2019

Disability

126. The policy is designed to have a positive impact on all carers. The policy is likely to disproportionately benefit people who are disabled as the proportion of disabled carers is greater than the proportion of disabled employees.

Table 19: Distribution of employees by disability

Disability	Carers	All employees
Equality Act Disabled	22%	12.6%
Not Equality Act Disabled	78%	87.4%
Total	100%	100%

Gender

127. The data shows that women are most likely to be carers. This means that women are more likely to provide care and therefore they are more likely to face adverse employment effects associated with caring i.e., lower earnings and leaving the labour market. This means that this policy which helps carers will disproportionately benefit women.

Table 20: Distribution of employees by gender

Gender	Carers	All employees
Male	41.2%	55%
Female	58.8%	45%
Total	100%	100%

Source: BEIS internal analysis, Labour Force Survey, Jan-Mar 2019

Ethnicity

128. It is important to assess how the policy impacts different ethnic groups. This shows that ethnic groups make up a larger share of carers relative to their overall employee share. This suggests that the proposal will benefit ethnic minority groups.

Table 21: Distribution of employees by Ethnicity

Ethnicity	Carers	All employees
White	75.5%	86.7%
Mixed/Multiple ethnic groups	0.7%	1.4%
Asian/Asian British	9.8%	6.4%
Black/African/Caribbean/Black British	4.3%	3.4%
Chinese	0.1%	0.5%
Arab	0.5%	0.3%
Other ethnic groups.	1.7%	1.3%
Total	100%	100%

Source: BEIS internal analysis, Labour Force Survey, Jan-Mar 2019

Religion

129. The data shows that Christians make up a larger share of carers relative to their overall employee share. The remaining religious and non-religious groups have relatively the same share of carers, compared to their overall employee share.

130. The data shows that Christians make up a larger share of carers relative to their overall employee share. The remaining religious and non-religious groups have relatively the same share of carers, compared to their overall employee share.

Table 22: Distribution of employees by Religion

Race	Carers	All employees
No religion	37.7%	44.3%
Christian	55.1%	47.1%
Buddhist	0.2%	0.4%
Hindu	0.8%	1.9%
Jewish	0.5%	0.5%
Muslim	3.5%	3.7%
Sikh	0.8%	0.7%
Any other religion	1.4%	1.5%
Total	100%	100%

Source: BEIS internal analysis, Labour Force Survey, Jan-Mar 2019

Remaining Characteristics

131. The policy is intended to have a positive impact on carers and there is no evidence to suggest a greater or lesser likelihood of providing care among people with any of the remaining characteristics. The proposed changes are unlikely to create any barriers to equality as a result.

Competition Assessment

132. 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.

133. 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.

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

Risks and Assumptions

Modelling risk and assumptions

135. The costings 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 very limited and where the key risks to the model lie. These are described below in table 20:

Table 23: Assumptions Log		
Assumption	Detail	Discussion

Eligible population – employment characteristics	<p>The eligible population is determined using the Family Resource Survey which estimates that their 4.2 million carers in the UK. The number of carers eligible for this policy (the target population) is calculated by applying an assumed employment rate which is also supplied in the Family Resource Survey.</p> <p>The stock of carers taking leave and how much leave they use in each year does not change as there is no clear evidence on how this changes.</p>	We have assumed that the population of eligible carers and how much leave they use over time does not change. We have assumed a constant amount of carer’s leave is used each year and the number of carers remains fixed. If the number of carers increases over the period, then this will result in an underestimation of the costs.
Take-up rate	Further to the steps outlined above, an assumed take-up rate is then applied to the target population. An overall take-up rate of 29% is used. However, we have assumed that the take-up will be highest for day 1 and so the take-up rate is tapered by 1.5% around the day 3 estimate to reflect this. Therefore, the day 1 take up rate is 8.8% and day 5 it is 2.8%. When taken collectively the take-up rate of the five days sums to 29%.	The take-up rate assumption is based on evidence from the Work Life Balance Survey. It is therefore uncertain and may not capture the true demand for this policy.
Deadweight	Deadweight in this scenario refers to the possibility that some employers are already providing comparable levels of leave to carers at their own expense. Therefore, the introduction of the policy will see no additional take-up behaviour. In this Impact assessment we assume that 53% of the absence and administration costs are not additional and therefore should not be included. This assumption comes from evidence from the Employee Rights Survey, that identified the number of employers which already offer unpaid leave. The deadweight is tapered by 3% when calculating the absence costs.	There are discrepancies between sources when looking at the number of employers that are already providing a form of carer’s leave. Evidence from the Work and Pensions committee claim that leave is “still relatively rare”. However, this evidence could be referring to a leave entitlement of over a week, which is indeed less common. However, evidence from the CIPD survey and the Employee Rights survey suggests that just over 50% of employers provide an unpaid form of carer’s leave.
Familiarisation costs	Familiarisation costs are captured explicitly for large firms, whereas they are included as part of admin costs for	It is likely that many businesses (especially small businesses) will not experience any employees seeking to use their entitlement
	small and medium firms (therefore familiarisation occurs when requests arise). This broadly mirrors the approach taken in Parental Bereavement Leave Impact Assessment.	to Carer’s Leave and therefore familiarisation will be relatively small. We will assess this assumption in any Post Implementation Review.

<p>The average duration of leave taken by eligible carers</p>	<p>The degree to which employers are able to manage short term absence and the costs they incur is likely to change based on how many days of Carer's Leave their employee takes.</p>	<p>We have tapered the take-up rate and the deadweight to account for the assumption that the number of carers taking one day of Carer's Leave will be higher than the number of carers taking 5 days.</p>
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Annex

Annex A: Estimating absence costs to employers

136. The policy assessed in this impact assessment covers the introduction of Carer's Leave legislation. This policy will result in absence costs to employers as employee carers would have a right to take a week of unpaid leave. This annex explains the underlying assumptions and derives re-organisation.
137. Reorganisation costs:
- Employing temporary cover, which is likely to be more expensive than the absent employee and may also be less productive.
 - Re-allocating work among existing staff, which is costly because either additional overtime is paid so that output remains constant, or because in re-allocating work, some other work is dropped, resulting in a loss of output.
 - Not covering the absent employee's work and accepting a loss of output.
138. The choice between different types of cover will be influenced by four factors: the duration of absences and their nature (planned or unplanned, with for example, firms less likely to employ temporary cover for shorter absences), the size of the company/workplace, the nature of the business, and the skills needed in the particular job. While we recognise that differences in these factors mean 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. While these might not describe the situation for each employer perfectly, we feel that this simplified approach describes the overall impacts on employers sufficiently well without overcomplicating this impact assessment.

Reorganisation costs

139. Quantifying the impact of absence from the policies under discussion is difficult for several reasons i.e., identifying productivity loss from someone being away from work and accordingly having to rely on temporary cover. We rely on earlier analysis to model the impact on business, making use of the PBL impact assessment. This first involves estimating the cost of reorganisation, which makes use of the most recent absence cost estimates from survey on absence and workplace health published by the Confederation of British Industry (CBI).
140. The survey found an average cost of absence of £720 per employee per year, based on an average of 5.2 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. Failing to uprate 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.
141. Based on ONS data⁵³, we find that that non-wage labour costs are 19.75% of wage costs. Including non-wage costs, we uplift the wage costs by this percentage to derive total labour costs of £512. Deducting this figure from the median absence cost estimate above yields a reorganisation

⁵³ ONS, Index of Labour Costs per Hour UK (2019 Q4 - 2020 Q3 average)

cost of £180 (35.1% of labour costs). We then convert this into 2021 prices. Box 5: Derivation of weekly reorganisation costs

Median Absence cost = £720 per employee (5.2 days per year)

Median Absence cost per work week = [£720 per employee ÷ 5.2] × 5 = £692

Reorganisation costs = Total Absence Costs – Total Labour Costs

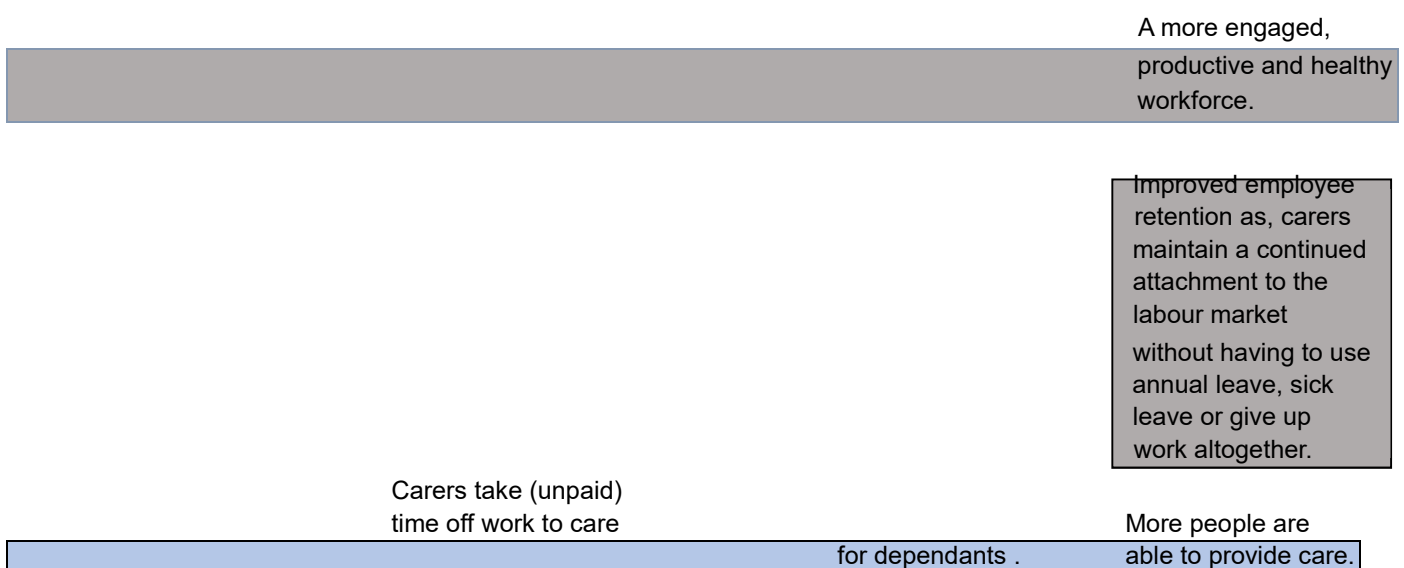
Total Labour Costs = Wage costs × nonwage uplift = £434 × 1.1975 = £512

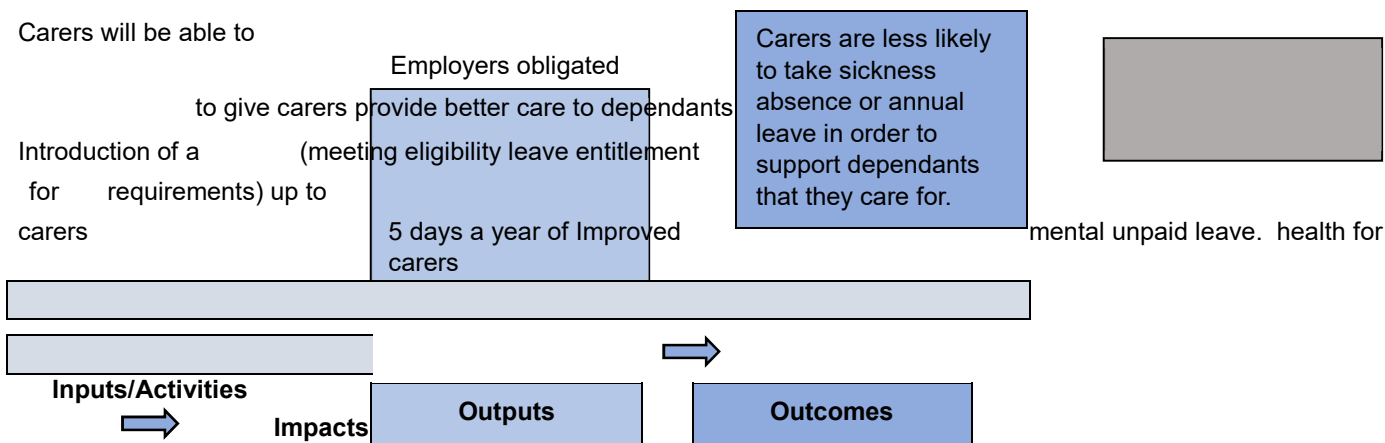
Reorganisation Costs = £692 – £512 = £180 (35.1% of Labour Costs)

Reorganisation Costs in 2021 prices = 35.1% × Uplifted average 2021 wage = £203.60

Annex B: Theory of Change

142. The Theory of Change below demonstrates how introduction of Carer’s Leave will lead to the policy objectives. This is the causal basis on which we will evaluate the impact and success of the policy.





Annex 3: Monitoring and Evaluation

143. To determine whether the policy has met its objectives, we will be monitoring its impacts as well as undertaking a non-statutory Post-Implementation Review (PIR) of this policy after, at least, 5 years following introduction.

144. Any engagement with stakeholders and analysis of administrative data will be undertaken using internal resources within BEIS. The non-statutory PIR published by BEIS will summarise the evidence that we gather on the policy’s effectiveness, as well as any learnings that can be applied to future policymaking.

Basis of the review:

It is proposed to introduce Carer’s Leave with an assumed implementation date of 2024. A review of this new policy would then likely take place in 2029, when the new right has had time to be sufficiently established.

Review objective:

The objective of the review would be to assess the effectiveness of the policy in achieving the following objectives:

- Help support carers to balance their employment and caring responsibilities, by giving more flexibility to take time out of work for caring and more time to do the other things they value, outside of work.
- Recognise the specific needs of unpaid carers in work, many of whom are women aged over 50.
- Allow employers to recruit from the widest possible talent pool and make the most of human resources available to them.
- Help create a minimum standard of support for unpaid carers in work, which we would expect a number of employers to go beyond in terms of pay and/or duration (as many already do).

Review approach and rationale:

We will seek evidence (both qualitative and quantitative) from key stakeholders including employer organisations and groups representing carers to assess the effectiveness of the legislation against the policy objectives, specifically looking at:

- The number of individuals (split by gender) using Carer’s Leave and information on duration of leave used (Survey evidence)
- Employer’s and carers’ awareness and experiences of taking and using Carer’s Leave (Stakeholder evidence)

Baseline:

As discussed in this impact assessment, there is uncertainty around potential take-up behaviour and the deadweight assumptions. The take-up assumptions and the deadweight assumptions are discussed extensively in this IA.

Success criteria:

- Evidence that carers are sufficiently aware of their statutory employment rights.
- Evidence carers use the Carer's Leave they are entitled to and that the estimates set out in the IA remain broadly reliable.
- Evidence that the processes surrounding requests for leave are straightforward for employers to administer and that costs are manageable
- Where employers go beyond the statutory minimum in the provision of paid carer's leave is evidence that they clearly see the value of supporting carers in these circumstances.