

Care Leave

Impact on business

Summary

There are over three million working carers in the UK and, as our population ages and people live for longer with complex health conditions, this number is set to increase rapidly. Estimates suggest that the number of older people needing care and support will begin to outstrip the number of family members able to provide it as soon as 2017,¹ meaning that working age family members are coming under increasing pressure to provide more care and support to their loved ones.

As the UK Government looks to extend working lives to reflect longer life expectancies, supporting carers who want to combine work with caring will become increasingly critical to our economy, to employers, and to families and individuals. With 2.3 million UK adults already having given up work to care at some point, and almost 3 million having reduced working hours, this is a problem that policy makers must address.²

In the report 'The Case for Care Leave' Carers UK sets out the economic, business and social case for introducing a statutory right to care leave, as well as looking outside the UK at rights to care leave in other countries – something which is becoming increasingly common across the world.³

This briefing builds on that evidence by taking a closer look at the potential impact of introducing a statutory right to paid care leave, particularly the effects that it would have on employers.

¹ Pickard, L. (2013) 'A growing care gap? The supply of unpaid care for older people by their adult children in England to 2032', in *Ageing and Society*

² Carers UK/YouGov (2013)

³ Carers UK (2013) *The Case for Care Leave: Families, work and the ageing population*

It finds that:

- Take-up rates of care leave internationally are not a cause for concern, with around 2.4% of US employees taking leave to care for a close family member in one year.
- Research from countries which have implemented similar rights shows that the vast majority of employers do not report difficulties in implementing them or negative impacts on their businesses. Contrary to some assumptions, smaller businesses were less likely still to report difficulties with the policy.
- Employees taking up care leave policies typically only take it for short periods. Misuse and repeated use of the policy appears to be extremely low.
- There is evidence to show that the current impact of staff turnover, absenteeism and stress as a result of juggling work with caring is already having a huge impact on business – in fact, if there is a similar impact in the UK as in the US, it could be costing UK businesses over £3.5 billion every year.
- Addressing the causes of these costs by improving support and leave entitlements for working carers can result in significant savings from improved productivity and employee health, reduced stress, absenteeism and staff turnover.

International evidence

Evidence from around the world suggests that statutory rights to time off work to care are becoming increasingly common, with countries ranging from Poland to Japan having introduced rights to leave for carers. While there is no single comprehensive source of information on provisions in different countries, there does seem to be significant variation in entitlements.

Short-term leave of around ten days per year or a few days per month is common, both paid and unpaid, for example of the kind that has been introduced in Australia, Belgium, Italy and Poland. Longer-term leave of several weeks or even years is increasingly common and has been introduced in countries like Spain, Canada, Ireland and the USA.

These types of short-term and long-term leave may be most effective at supporting carers and increasing their participation in the labour market when they are combined,

for example as is the case in Japan. Taking a slightly different approach, countries such as the Netherlands and Germany have combined short-term leave entitlements with longer-term rights to work reduced hours.

Who is entitled to take care leave, and in what circumstances, also varies. For example, in some countries parent carers of disabled children have stronger rights than other carers. Leave to provide end-of-life care is an entitlement in countries such as Canada and France. Some countries restrict eligibility to people caring for a family member or someone in their household.

Where leave is paid, there are also lots of differences between countries. If leave is short-term, employers are often responsible for paying employees. In other systems, the Government pays workers while some countries have insurance-based schemes.

There is also some variation regarding which employers are covered by the legislation. Most commonly all employers must comply with care leave policies, but the USA for example exempts very small employers, and there is sometimes added complexity in countries with federal systems such as Canada.

In the UK, Carers UK is calling for a right to 5-10 days of paid care leave for all employees, as well as an urgent debate on longer-term care leave. Although the international examples given below are for longer periods of leave, the evidence on take-up rates and employer experiences may prove useful.

This briefing draws together evidence mostly from Canada and the USA which seem to provide the greatest sources of data assessing scale and impact of care leave policies.

Canada

There are two types of statutory, federal leave provisions in Canada:

- Family Responsibility Leave allows most employees⁴ to take 3-12 days per year of unpaid leave to fulfil a range of family responsibilities, including caring. This has been a federal provision since 2000.⁵

⁴ Some industries in Canada, such as communications, transportation and banking, are covered by federal regulations (and governed by the Canada Labor Code) while others fall under the jurisdiction of provincial governments. Family Responsibility Leave has been adopted by most provinces and territories and Compassionate Care Leave has been adopted by all of them, as of 2014.

- Compassionate Care Leave to provide end of life care allows for 8 weeks of leave to be taken over 26 weeks. Those eligible for Compassionate Care Leave are also eligible for Compassionate Care Benefit, an income replacement benefit administered under a federal employment insurance programme and typically paid at 55% of earnings. This type of leave has been a federal provision since 2004. Compassionate Care Leave and Benefit can be split between more than one person.

Canada is one of 16 of the 30 OECD countries that guarantee paid leave to care for dependents with serious illnesses.⁶

Take-up of end-of-life care leave

In 2012 less than 8% of Canadians reported that they had provided end-of-life care at some point in their lives. Of these, 12% said they had ever taken Compassionate Care Leave – that represents less than 1% of all Canadians.⁷

United States of America

The federal Family and Medical Leave Act (FMLA) of 1993 allows eligible employees to take up to 12 weeks leave in a 12 month period for a wide variety of reasons,⁸ including to care for a close family member (spouse, parent or child). Employees only have the right to unpaid leave, but nearly two thirds of employees are paid during their time off, including nearly half who receive full pay.⁹ Six in ten of those taking ten days of leave or less receive full pay for their time off.

Fast, E. and Keating, N. (2014) 'Canada: the situation and context for caregiving in 2014' in *Discussion Paper May 2014: The challenge of caring, now and in the future: learning from across the world*

⁵ Ibid.

⁶ Fast, E. and Keating, N. (2014) 'Canada: the situation and context for caregiving in 2014' in *Discussion Paper May 2014: The challenge of caring, now and in the future: learning from across the world*

⁷ Ibid.

⁸ Other reasons include: to address your own serious health condition, for childbirth, to look after a new baby or newly placed child, or to deal with circumstances arising from a covered family member's deployment or call to active duty in the armed forces. Eligible employees may also take up to 26 weeks of leave in a single 12-month period due to a serious injury or illness of a covered armed forces service member who is the employee's parent, spouse or child.

⁹ Among all employees who took leave in the past 12 months, only a third received no pay (34%) and nearly half received full pay (48%). Those patterns vary by length of leave. Among all leave takers, 60% of those taking leave of 10 days or less receive full pay, compared to 41% of those taking leave of more than 10 days. Employers are able to require that employees take other types of leave concurrently, so pay may be due to paid sick leave or holiday that is owed to the employee.

Eligibility

Very small employers are exempt from complying with the FMLA. This means that to be eligible to take leave under the FMLA employees must work for the public sector or for a private or non-profit sector organisation with 50 or more employees within a 75 mile radius of the worksite. People must have worked for their employer for at least one year to be eligible, for at least 1,250 hours over the past 12 months (about 24 hours per week). More than 6 in 10 American workers are covered by the FMLA.

Take-up of leave to care

Research by the Commission on Family and Medical Leave has shown that “the FMLA was working well -- at least for those who were covered and eligible under the Act and could afford to take leave. The Commission also found that the FMLA had not been the burden to business that some had feared.”¹⁰

The US Government (Department of Labor) has commissioned surveys of employees and employers to assess the impact and success of the FMLA. The most recent pair of surveys, after nearly 20 years since the policy was implemented, find that:¹¹

- Around 2.4% of all employees took leave to look after a spouse, child or parent with a serious health condition in the past 12 months.^{12 13}

Although the FMLA provides for up to 12 weeks of leave per year, most periods of leave taken by employees are short. 42% of all instances of leave last 10 days or less, suggesting that there is significant need for short-term leave among the working population. Only 17% of instances of leave last more than 60 days.

Impact on employers

The Department of Labor's 2012 report finds that, in line with previous years, "most employers report little negative impact of the FMLA." Most worksites¹⁴ that are large

¹⁰ U.S. Department of Labor (2000), *Balancing the Needs of Families and Employers: Family and Medical Leave Surveys 2000 Update*, conducted by Westat for the U.S. Department of Labor (Washington DC)

¹¹ US Department of Labour (2012, revised 2014) *Family and Medical Leave in 2012: Technical Report*, conducted by Abt Associates Inc. for the U.S. Department of Labor (Washington, DC: 2014)

¹² 13% of employees took leave for any 'qualifying FMLA reason' and, of these, 18.2% took that leave to look after a close relative with a serious health condition. That works out at about 2.4% of employees who took leave to care for a spouse, child or parent in a 12 month period.

That is 18% of all leave taken for a 'qualifying FMLA reason' in the past year. 13% of employees took leave for any 'qualifying FMLA reason'

¹³ There is also some unmet need for leave among employees (0.9% of male employees and 2.6% of female employees had unmet need for leave to care for a close relative). Reasons why some employees' need for leave went unmet include not meeting the eligibility criteria or having already used up their leave entitlement for the year.

enough¹⁵ to be required to comply with the FMLA report little difficulty complying with the policy. Only 14% report that it is “somewhat difficult” with 1% saying that it is “very difficult” to comply.

Less than one in ten worksites perceive negative effects of complying with the FMLA on grounds of “employee productivity, absenteeism, turnover, career advancement, and morale, as well as the business’s profitability.” Interestingly, given concerns about the ability of SMEs to cope with improved rights for workers, the report found that larger worksites are more likely to report some negative effects, though the vast majority still do not.¹⁶

The report also finds that, “while there has been considerable discussion of and concern expressed by some employers regarding intermittent leave (that is, two or more episodes of leave for the same reason), employee responses suggest that such leave is not common (only about 3% of employees took any intermittent leave). Reports of negative impacts on profitability and productivity due to intermittent leave are rare (6% or less)”.¹⁷

Employers have also found that misuse of the leave policy is very rare. Only 2.5% of worksites reported suspicion of FMLA misuse and confirmed misuse is rarer still – only 1.6% reported this.

Impact on business

Businesses can incur major costs as a result of employee absence and stress when staff struggle to combine work and caring. When employees give up work altogether to care, businesses also bear the costs of recruitment, training new staff, lost productivity and the costs of the employee leaving, such as administrative costs associated with termination, exit interviews and severance packages. The peak age for caring in the UK is 50-64¹⁸ – the age at which many workers are at their most skilled and experienced, and in whom businesses have often invested significant time and training.

¹⁴ Separate branches – or worksites – of larger firms are counted separately

¹⁵ 50 employees within 75 miles of the worksite

¹⁶ Figures increase to 3% for “very difficult” and 29% for “somewhat difficult” when the data are weighted by employees

¹⁷ Negative impacts are more common, but still infrequent, when the data are weighted by employees (up to 25%)

¹⁸ Census 2011

A Canadian survey of 291 employers and senior HR representatives found that: “The most commonly observed consequences of caregiving by employers are employees arriving late or leaving early and unscheduled absenteeism due to caregiving. More visible impacts on employees’ performance, productivity and stress were observed in a substantial minority of workplaces.”¹⁹

Nearly four in ten (39%) employers they surveyed reported having had an employee take disability or stress leave, in part related to their caring role, and over a fifth said that an employee had left their job as a result of caring.²⁰ 74% reported employees taking unscheduled time off because of their caring responsibilities and 84% said that employees had to come in late or leave early.

The Conference Board of Canada estimated that absenteeism and turnover as a result of caring cost Canadian businesses \$1.28 billion.²¹ One US study estimated the cost to business of “eldercare-related work interruptions” to be over \$33.6 billion per year.²² That’s 0.24% of the entire US GDP in 2006, the year of the report.²³ This gives some indicator of the scale of the costs in the UK – if there is a similar impact of caring on work in this country, it could be costing UK businesses over £3.5 billion every year.²⁴

Addressing the cause of these costs could result in significant savings for businesses, which must be set against the costs of introducing a statutory right to care leave.

Impact of reducing turnover

In evidence submitted to an association of Canadian federal, provincial and territorial departments of labour and heads of health agencies, researchers find that: “The presence of liberal leave policies including [family/personal leave] have been linked to reduced turnover.”

It goes on to say: “Work-life balance practices can affect organizational performance in several ways. First, they can reduce costs as a result of reduced absenteeism, but especially as a result of reduced turnover rates. Lower turnover rates not only result in lower recruitment and replacement costs, they also signify greater organizational commitment, less loss of institutional or firm-specific knowledge and hence more [return

¹⁹ Lero, D. S., Spinks, N., Fast, J., Hilbrecht, M., Tremblay, D. (2012) *The Availability, Accessibility and Effectiveness of Workplace Supports for Canadian Caregivers: Final Report*

²⁰ Ibid.

²¹ Hermus, Stonebridge, Thériault, & Fares (2012) referenced by Lero et al. (2012)

²² MetLife Market Institute (2006) referenced by Lero et al. (2012)

²³ US GDP in 2006 (World Bank)

²⁴ Figure calculated by applying percentage to UK GDP in 2012 (World Bank)

on investment] for the employer. Second, low turnover/high retention can enhance an organization's image in the job marketplace, as well as expanding the talent pool from which applicants can be drawn. [...] Third, low turnover can enhance productivity as a result of reduced stress, less [work-life conflict] and employees having more control over their workload and work schedule. Fourth, work-life balance practices can result in healthier employees and reduced accidents and injuries, with consequent reductions in health care related costs."²⁵

Savings to business

As a result, better supporting working carers has been shown to have significant benefits to businesses, with one major utility company reporting over £1 million in annual savings as a result of workplace retention of carers through improved support.²⁶

International evidence also suggests that there are big savings to be made by implementing policies that help employees to balance work with other family responsibilities. For example research has shown that although it cost American telecommunications multinational AT&T \$2.1 million to develop one of their flexible working initiatives, they saved \$500 million between 1991 and 2003.²⁷

Conclusion

There is clear evidence that the impact of caring on work is resulting in significant costs to business around the world. Addressing the causes of these costs can have huge benefits for employers, and any costs to business of introducing a statutory right to care leave must be set against this.

International evidence also suggests that take-up rates of care leave where it is available are not a cause for concern, with only around 2.4% of US employees taking leave to care for a close family member.

It is becoming increasingly clear that the UK is falling behind other countries when it comes to rights to leave for working carers. As our population ages and the pressure on

²⁵ Lero, D., Richardson, J. and Korabik, K. (2009) *Cost-Benefit Review of Work-Life Balance Practices - 2009*, submitted to the Canadian Association of Administrators of Labour Legislation (CAALL)

²⁶ Yeandle, S., Bennett, C., Buckner, L., Shipton, L., Suokas, A. (2006) *Who cares wins: The social and business benefits of supporting working carers*, a Centre for Social Inclusion, Sheffield Hallam University report for Carers UK

²⁷ Edwards, J.E., Scott, J.C. and Raju, N.S. (Eds.) (2003), referenced by Lero et al. (2009)

working age family members increases, policy makers must seriously consider all of the options available to better support working carers in this country. 3 in 5 people will be carers at some point in their lives²⁸ and we cannot afford to lose them from the workforce.

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²⁸ Carers UK (2001) *It Could Be You – A report on the chances of becoming a carer*