

Supporting paper 1:

Effects of the entitlement on work and care

This supporting paper seeks to answer three questions about the entitlement to extended unpaid carer leave proposed in the position paper (thereafter ‘the entitlement’).

- How many people would use the entitlement, and who would they be?
- What are the expected effects of the entitlement on paid work?
- What are the expected effects of the entitlement on informal care?

1. How many people would use the entitlement?

If an entitlement to extended unpaid leave for care of older people was added to the National Employment Standards (NES), how many people would use it?

There are three groups of potential users of an extended unpaid leave entitlement.¹

- People who were already taking an extended period of unpaid leave in the absence of an entitlement.²
- People who continued working when there was no entitlement, but who would instead have taken extended unpaid carer leave if there was an entitlement.
- People who quit their job when there was no entitlement but would have instead taken extended unpaid carer leave if there had been an entitlement to unpaid care leave.

Based on data from the Household Income and Labour Dynamics in Australia survey (HILDA), there were about 3000 people who were already taking more than 30 days of unpaid leave (box 1).³

There were between 4000 and 8000 people who continued to work in 2018 who would have taken extended unpaid leave had there been an entitlement (Productivity Commission estimates based on ABS (2019)). And there were between 3000 and 9000 people who quit their job to care and who otherwise would have taken extended unpaid leave had there been an entitlement (Productivity Commission estimates based on HILDA Release 20).⁴

That means between 7000 and 17 000 people would have used the entitlement in 2018 — in addition to the almost 3000 people who were already taking unpaid carer leave of more than 30 days. These estimates, while based on 2018 survey data, give an indication of the number of people who would be expected to use the proposed entitlement each year if it was introduced into the NES.

¹ There may also be a fourth category — people who are induced to enter paid work because the entitlement is available and subsequently use it. This group of users would not be in paid work in its absence. We have not analysed this category because it is likely to be a very small. Skira (2015) found that this category of entitlement users would have been trivially small when compared with the other groups of entitlement users.

² Because this group are not affected by an entitlement to extended unpaid leave for caring (they already had access to leave) they are not discussed further in this supporting paper.

³ This report uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA project was initiated and is funded by the Australian Government Department of Social Services (DSS), and is managed by the Melbourne Institute of Applied Economic and Social Research (the Melbourne Institute). The finding and views in this report, however, are those of the Commission and should not be attributed to either DSS or the Melbourne Institute. Further information on the design of HILDA can be found in Watson and Wooden (2012).

⁴ In HILDA, a main carer is a person who provided the most care to the recipient. In the context of this paper, the care recipient is a parent, parent-in-law or spouse aged 65 and over. In the ABS *Survey of Disability, Ageing and Carers*, ‘primary carers’ are those who provided the most informal help with a core activity (self-care, mobility and communication) to a care recipient. ‘Other carers’ include any carer who is not a primary carer. ‘Non-carers’ do not provide any care to an older person.

The expected take-up of the entitlement is equivalent to between 3 and 7 per cent of working-age carers of older people, and between 5 and 10 per cent of the population of employed carers of older people. These estimates broadly align with the number of entitlement users of similar unpaid entitlements in other countries.

Box 1 – Existing access to, and use of, extended unpaid carer leave

Some employees already have access to extended periods of unpaid carer leave. For some employees it is available as a workplace entitlement, for example:

- Carers NSW reported that consultation with four employers accredited through its 'Carers + Employers' network revealed that all are currently offering carer leave in excess of the NES entitlements, with most offering unlimited unpaid carer leave (sub. 20, p. 16).
- Coles, a supermarket chain, allows up to 12 months of unpaid leave for a range of reasons which can include caring for older people to all their salaried employees (pers. comm., 1 February 2023).

Employer groups reported that unpaid leave arrangements were negotiated between employees and employers informally on a case-by-case basis. For example:

- The Chamber of Commerce and Industry Queensland said that it "... is common for businesses to negotiate with their employees on the terms and conditions required for unpaid leave for caring responsibilities" (sub. 16, p. 3).
- The Australian Retailers Association said that its small business membership approached "requests for care leave on a case-by-case basis" (sub. 14, p. 1).

Perhaps because of the informal nature of unpaid leave arrangements, there is little information available about how many employers offer extended unpaid carer leave whether by a workplace policy document, employment contract or on request by an employee. And very few enterprise agreements (which cover about 35 per cent of employees) appear to contain an entitlement to extended unpaid carer leave. The Commission randomly sampled 500 enterprise agreements (of the 8638 federal enterprise agreements current as at 30 June 2022) and none of the sampled agreements contained an entitlement to extended unpaid carer leave. This suggests a 99 per cent confidence interval for the share of agreements containing the entitlement is 0–1 per cent.

About 3000 main carers of older people took 30 or more days of unpaid leave in 2018, either as a block or in smaller increments (such as more than 15 occasions of unpaid personal/carer leave), based on analysis of HILDA survey data for the period 2005 to 2020 (Productivity Commission estimates based on HILDA Release 20).

People who continued to work who would have used the entitlement

The Commission estimated the number of people who continued working in their job in 2018 who would have instead taken extended unpaid carer leave had there been an entitlement by drawing on responses to the 2018 ABS Survey of Disability, Ageing and Carers (SDAC).

The SDAC asks respondents (carers and non-carers) whether they made use of special work arrangements (work arrangements that allow employees to balance their work and care commitments, such as paid and unpaid leave) and whether they would have liked to have made more use of unpaid leave in the last six months to help them with their caring responsibilities.

Based on survey responses (scaled to the Australian population), about 26 000 employees wanted to ‘make more use of’ unpaid leave ‘in the last 6 months to help care for someone’ at some time during 2018.⁵ Of these employees, about 6000 were primary carers, 6000 were other carers and the remainder were not carers. Of those who were primary carers, approximately one quarter cared for a person aged over 65.

While the same information was not available for other carers and non-carers, we assumed that similarly about a quarter wanted to care for a person over 65. On this basis, about 1500 primary carers, 1500 other carers and 3000 non-carers would have liked to have made more use of unpaid leave in the previous 6 months to help care for someone aged over 65.

What does this suggest about the number of people who continued in paid work but who would have used the entitlement had it been available in 2018?

- The lower bound estimate is 3000 potential leave takers, made up of 1500 primary and 1500 non-primary carers. We know that this group would not have ceased paid work to provide care because the question they responded to was about the previous 6 months and is only asked of employees. These employees would have already had access to two days of unpaid carer leave per occasion under the NES, which suggests that when they indicated that they wanted to ‘make more use’ of unpaid leave to provide care it was about taking a more extended period of leave.
- The upper bound is 6000 carers, made up of 3000 primary and non-primary carers, and 3000 people who were not carers who were in paid work but who would have used the entitlement in a 6 month period in 2018 had it been available. The ABS collects little data about new carers, but they could be people who would temporarily relocate to provide care or would take the opportunity to take a break from work to provide care.

This suggests that between 3000 and 6000 people would have used the entitlement at any point in a 6 month period in 2018 had it been available. This range was further adjusted to give an annual estimate of 4000 to 8000 on the basis that overseas experience suggests that the typical leave duration over a 12-month window is about 3 months.

Because the question in the SDAC only captures potential entitlement use over the previous 9 months (for example, someone wishing to commence 3 months of leave 8 months ago would still have liked to be on leave within the past 6 months), the estimate needs to be scaled by four thirds to extend the 9 month range to the 12 month range.⁶

People who quit their jobs who would have used the entitlement

The Commission used the HILDA survey (over the years 2005 to 2020) to identify the upper and lower-bound estimates of the number of people who quit their jobs in 2018 but would have used the entitlement were it available.

Noting that the HILDA survey does not collect data on every care recipient, for the purpose of this analysis, to qualify as a potential entitlement user, each person must have been:

- the main carer to a spouse, parent or parent-in-law older than 65 years
- employed the year before as either a permanent employee, or as a casual employee who was employed for at least one year with the same employer

⁵ This excludes people who were self-employed.

⁶ This assumes that the desired timing of the use of entitlement is independent of the availability of the entitlement. For example, it assumes that if an employee’s access to extended unpaid carer leave 12 months ago does not affect their desire to take extended unpaid carer leave today. This assumption is defensible because the timing of entitlement use would probably be determined mostly by the health of the older person.

- not currently employment.

To estimate the lower bound, a fourth criterion was applied: a person was included if the reason why they left their job from the year before was to ‘to stay home to look after children, the house or someone else’. These people are highly likely to take up a leave entitlement because they would have caring responsibilities front of mind when making the decision to quit their job.

To estimate the upper bound, a different fourth criterion was applied. A person was included if the reason why they left their job from the year before was because of retirement, sickness, injury or disability, to stay home to look after children, the house or someone else, travel or holiday, return to study, spouse or partner transfer, work involves too much travel time, or change of lifestyle. People in this group would be eligible for the entitlement (because they were the main carers of an older person), but they may be less likely than the lower bound group to take up the entitlement. This is because:

- their caring role may not have been front of mind when deciding to quit their job, so they may not have considered taking extended unpaid carer leave
- some would have been considering retiring.

Survey responses (scaled to the Australian population) estimate a lower bound estimate of around 3000 employees and an upper bound estimate of about 9000 employees, with a mid-point of 6000 employees.

Combining the two estimates (of employees who continued to work and those who quit their job) gives a range of between 7000 and 17 000 and a mid-point of 12 000 potential leave takers additional leave takers (over and above the 3000 currently granted to provide unpaid leave for caring).⁷ This is equivalent to about 7 per cent of all employed carers of older people who are in the workforce, 5 per cent of all working-age carers of older people, 0.11 per cent of private sector employees, and 0.1 per cent of all Australian employees in both 2018 and 2022.

Overseas evidence

While some countries offer extended unpaid leave for carers, there is a paucity of data on the employees who take up unpaid leave (Rocard and Llana-Nozal 2022). For the jurisdictions for which data are available, the estimates for Australia are somewhat comparable with the actual uptake of extended unpaid care leave (figure 1).

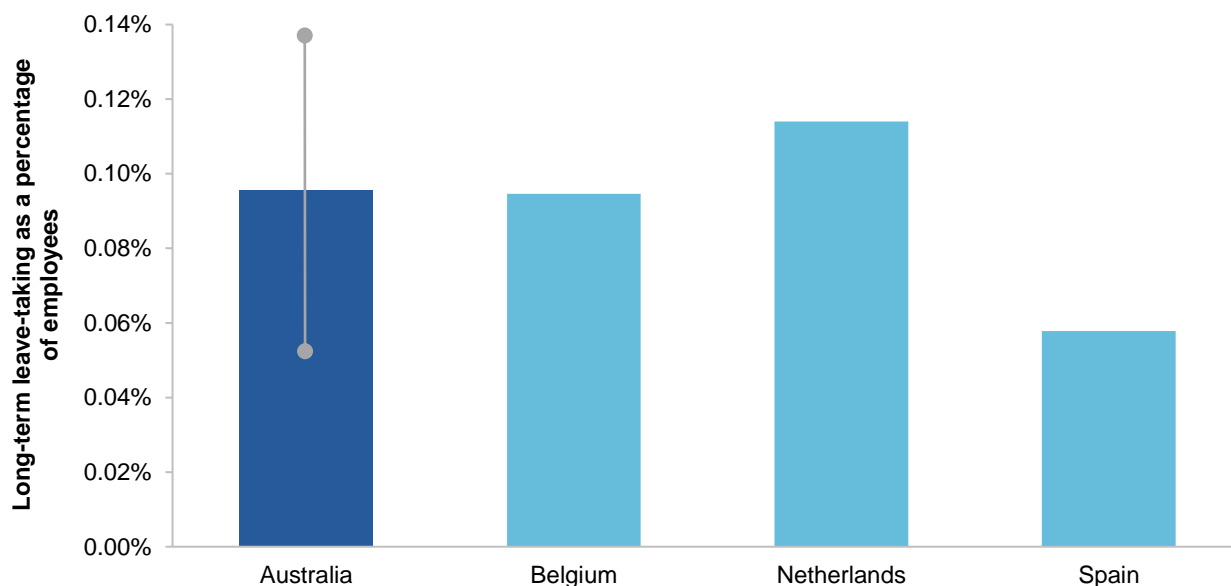
However, there are also differences with each country’s entitlement which should shape the interpretation of the findings. Each of the listed countries allow carers to take time off work to care for people other than older people. And the uptake of unpaid leave is often reported in terms of carers, which is substantially higher than when reported in terms of all employees. For example:

- In Belgium, about 140 000 (or 3 per cent of) Belgian employees in 2021 took advantage of the Time Credit/Career Break system which allowed employees to scale back their hours to part-time or to temporarily exit work to care for dependents and family members over 24 or 12 month periods respectively, or to take a break from their careers or seek early retirement. Only 4000 private sector employees opted to take full-time unpaid leave with most employees preferring to scale back to part-time work (Mortelmans and Fusulier 2022, pp. 113–114).

⁷ The estimated 12 000 potential leave takers are for 2018 and are used as the basis for subsequent analyses in this paper and for the cost–benefit analysis in supporting paper 2. If the proportion of potential leave takers in the population remained unchanged, potential leave takers would have increased by about 200 by June 2022 (Productivity estimates based on ABS (2022)).

- In the Netherlands, only 1 and 2 per cent of employed female and male informal carers respectively in the Netherlands took long-term unpaid leave to care for dependents, which included caring for children and older family members (den Dulk and Yerkes 2022, p. 376).
- In Spain, fewer than one per cent of all informal carers in Spain took unpaid leave, increasing from 3300 in 2005 to 11 500 in 2020 (Meil, Lapuerta and Escobedo 2022, p. 482).

Figure 1 – Estimated uptake of leave entitlement, Australia and overseas^{a,b}



a. Estimated range for Australia is for 2018. Belgium estimate is for private sector employees in 2021. The Netherlands estimate is for 2019. Spain estimate is for 2019. **b** Proportion of people estimated to take unpaid leave for at least one month. Excludes carers exercising their rights to reduce their work hours in Belgium and the Netherlands.

Source: Productivity Commission estimates based on ABS (2019), den Dulk and Yerkes (2022), Eurostat (2022), HILDA (Release 20), Meil et al. (2022), Mortelmans and Fusulier (2022), OECD (2012).

This suggests that the estimates for the proportion of employees expected to take time off to care for an older person in Australia are higher than those in other countries.

Why is the uptake of the entitlement expected to be low?

There are three main reasons why uptake of the entitlement to extended unpaid leave is expected to be low.

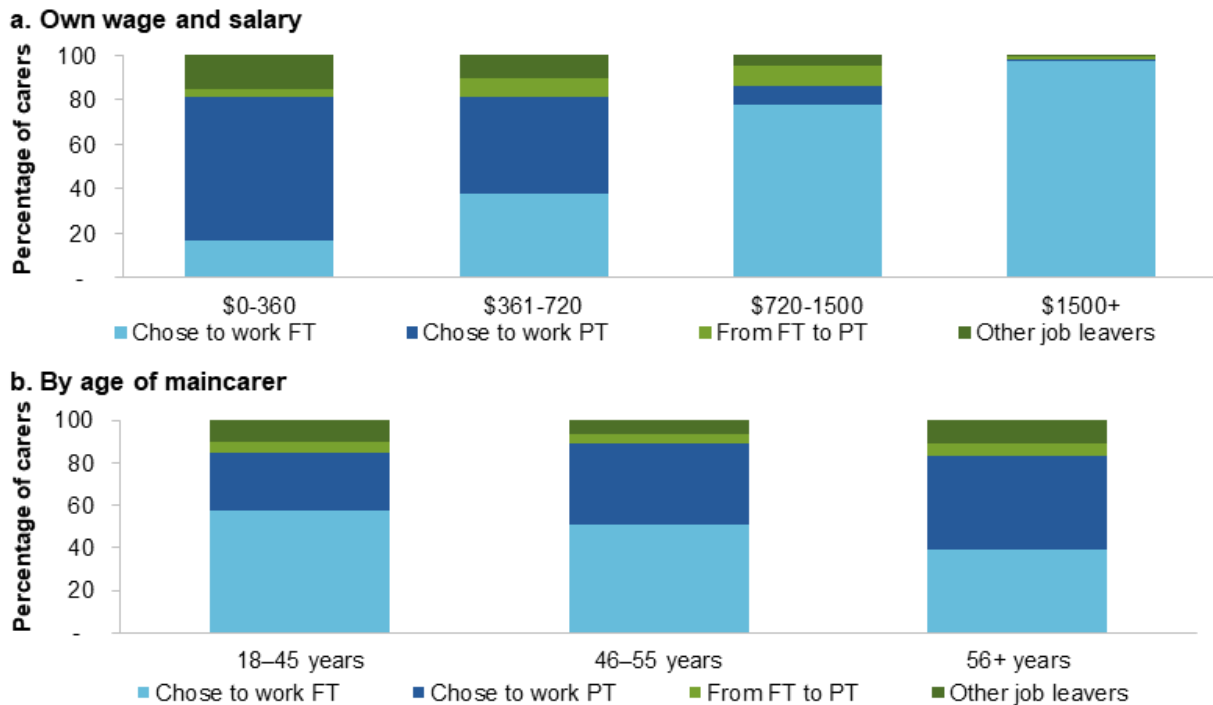
First, the pool of employees who would consider taking leave for up to one year to care for an older person is small. There were 2.6 million carers in Australia in 2018, 428 000 were carers of people aged 65 and over and of these, 162 000 were primary carers employed on a full- or part-time basis. And just 23 000 of these carers reported providing care for up to one year (Productivity Commission estimates based on ABS 2019).

Second, the evidence shows that most employed carers of older people prefer to continue working while providing informal care. HILDA data shows that most employees in Australia continued to work full- or part-time while providing care; few employees opted to reduce their hours from full-time to part-time or to exit employment (figure 2).

The highest income earners (figure 2a) were most likely to continue working full-time and reflects the higher foregone income had they not continued working. These carers may also be able to afford to supplement their caring role with paid outside help. Older workers were more likely than younger workers to work part-time during

or to transition to part-time while caring (figure 2b). This may reflect that some older workers have fewer financial pressures than younger workers, with children now independent and their mortgage mostly paid off.

Figure 2 – Change in carers’ employment status with caring responsibilities^a



a. Chose to work FT and Chose to work PT are carers who chose to work full- or part-time when they could have quit their jobs to provide care. From FT to PT are persons who reduced their hours from FT to PT employment in the year of caring. Other job leavers are workers who left work to provide care but were not estimated to take up unpaid leave.

Source: Productivity Commission estimates based on HILDA (Release 20); ABS (2019).

There is comparable overseas evidence on the desire to continue working while providing care. For example, Rogero-García and García-Sainz (2016) reported that the most significant obstacles to taking unpaid leave to provide care was the reduction in income and the risk of losing one’s job. In a review of carer’s decision-making around work and retirement in Great Britain, Arksey et al. (2005) reported that carers were reluctant to forego income, with women more likely than men to stop working or reduce their hours from full- to part-time work and men more likely to continue working. This aligns with the results from Belgium (described above) showing that of the carers who took up an entitlement to flexible work or unpaid leave, only 3 per cent chose unpaid leave; the remainder reduced their hours and/or increased flexibility.

A number of participants said that unpaid leave was simply unaffordable for many carers (Dementia Australia, sub. 11, p. 15; Australian Education Union sub. 13, p. 2; Women Lawyers Association of Queensland, sub. 4, p. 3; Anglicare Australia sub. 6, p. 1; Zonta Club TGC, sub. 10, p. 3).

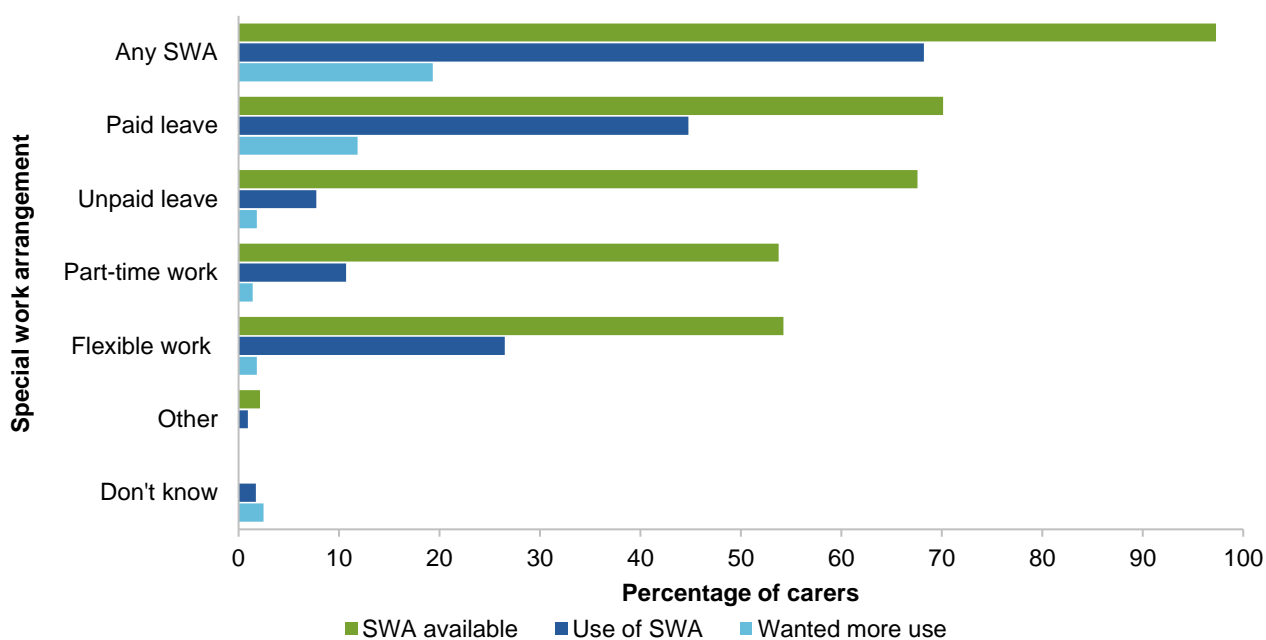
Low income household carers may be able to access the carer payment, allowance and supplement. These payments (\$1,073.30 per fortnight) exceed the basic JobSeeker payment (\$668.40) (Services Australia 2022), but are equivalent to 28 per cent of average weekly ordinary time earnings for singles in 2021 (Furnival and Cullen 2022, p. 18). As such, they are not likely to be instrumental in encouraging the lowest income households to take unpaid leave.

A third reason is that many employed carers already have access to other carer-friendly workplace entitlements under the NES that allow them to balance work and care. For example, about 70 per cent of surveyed

employees had access to paid leave (noting that casual employees and self-employed do not usually have access to paid leave) (ABS 2019). The Commission estimates that in 2020 the median combined personal and annual leave balance of employed (non-casual) primary carers of older people was 31 days (the first quartile: 9 days, third quartile: 59 days), noting however that some of this leave would have accumulated during the COVID-19 pandemic (Productivity Commission estimates based on HILDA Release 20).

In 2018, the ABS reported that 68 per cent of all employees made use of at least one special work arrangement (such as flexible work arrangement, paid leave or unpaid leave) to provide care (figure 3).

Figure 3 – Availability, use and desire for special work arrangements^{a,b}



a. SWA available means that it was available to the primary carer of someone aged 65 and over. Use of SWA means that the primary carer of someone aged 65 years or over used it in the past 6 months to care. Wanted more use means that the primary carer of someone aged 65 years or over wanted to make more use of it in the last 6 months. **b.** SWA is a special work arrangement that includes paid leave, unpaid leave, part-time work, flexible work arrangement, and other arrangement. Paid leave includes paid personal and annual leave and paid carer’s leave. Unpaid leave includes unpaid carer’s leave and other forms of unpaid leave. Part-time work includes permanent part-time work, casual employment, rostered days off and shift work. Flexible work includes work from home, informal arrangements and other forms of flexible work arrangement.

Source: Productivity Commission estimates based HILDA (Release 20) and ABS (2019).

Carers Australia reported that by 2020, 84 per cent of all employees had used at least one form of special work arrangement (sub. 36, p. 3). And the ABS reported that 27 per cent of employees had used some form of flexible work arrangement (including work from home, informal arrangements and other forms of arrangements) in 2018. According to Carers Australia, the proportion of employees who exercised flexible start and finish times had risen to over 50 per cent, and 30 per cent had used work from home arrangements when providing care to older persons by 2020 (sub. 36, p. 3).

The view that paid leave and flexible work arrangements were more valued by carers than unpaid leave was reflected in the submissions of carers and carer groups (Merri Health, sub. 18; Carers NSW, sub. 20).

Employer groups also noted that there was little demand for unpaid leave among employees (Chamber of Commerce and Industry Queensland, sub. 16; Australian Chamber of Commerce and Industry, sub. 35).

The findings are similar overseas. For example, Dixley et al. (2019) reported that the most important determinant of the decision to exit work in the United Kingdom was the lack of access to flexible work arrangements and formal care for older people. Arksey et al. (2005) similarly commented that:

Flexible starting and finishing times, and the ability to take time off in emergencies and for routine appointments, were particularly important. Annual leave was also helpful for appointments and other care-related activities; unpaid leave was not popular with carers (p. 144).

The view that carers preferred to use paid leave and flexible work arrangements to unpaid leave does not mean that these currently meet the needs of carers. Carers expressed a desire for more paid leave than other forms of special work arrangements (figure 4).

However, care should be exercised when interpreting the demand for unpaid leave. First, even though the low demand for unpaid leave is likely to reflect a preference for flexible work arrangements and paid leave, it may also be because employees are required to exhaust their paid leave entitlement before taking further unpaid leave. Second, the above analysis does not include those carers who quit their jobs to provide care but would have taken up an entitlement had it been available. But not including these carers does not affect the general conclusion: there were about 6000 such carers and preceding discussion was taken from a population of 75 000 employed primary carers of older people who had used special working arrangements in last 6 months.

Projecting the future demand for an unpaid leave entitlement

Over the longer-term there will likely be an increase in the uptake of an unpaid leave entitlement but the number of people taking up the entitlement is expected to remain a relatively small but growing share of both the workforce and carers.

Demographic changes over the next four decades will increase the demand for informal care. The long-term decline in the fertility rate is predicted to contribute to the increasing proportion of older people relative to working-age people (Commonwealth of Australia 2021; Deloitte Access Economics 2020), and the age at which people are having children has increased (AIFS 2022), which is leading to progressively younger children caring for older parents. Over time, the proportion of Australians aged 65 and over is predicted to increase from 16.4 per cent in 2019-20 to 22.8 per cent in 2060-61 (Commonwealth of Australia 2021). As a result, the dependency ratio (the number of 15 to 64 year olds per older person) is predicted to fall from 4.2 in 2018-19 to 2.7 in 2060-61.

At the same time the share of the population that is ageing is growing, the labour force participation rates of older persons are predicted to continue increasing, particularly among women. For example, the workforce participation of 50 to 54 year olds is expected to increase from 82.8 per cent in 2019-20 to 87.5 per cent in 2060-61, and of 60 to 64 year olds from 58 per cent in 2019-20 to 65.8 per cent in 2060-61 (Commonwealth of Australia 2021, p. 36). This means that carers are more likely to have ongoing connections with the workforce for longer.

Demand for part-time and flexible work arrangements has been growing and is likely to continue to grow relative to the demand for unpaid leave. The proportion of men and women working part-time has been steadily rising since 1978 (Commonwealth of Australia 2021, p. 42), the COVID-19 pandemic significantly altered attitudes towards flexible work and working from home arrangements (Commonwealth of Australia 2021, p. 41; Productivity Commission 2021), and the recently introduced changes to the right to request flexible working arrangements will allow employees to appeal denied requests to the Fair Work Commission. Part-time and flexible work arrangements allow carers to continue earning an income.

Who would use the entitlement?

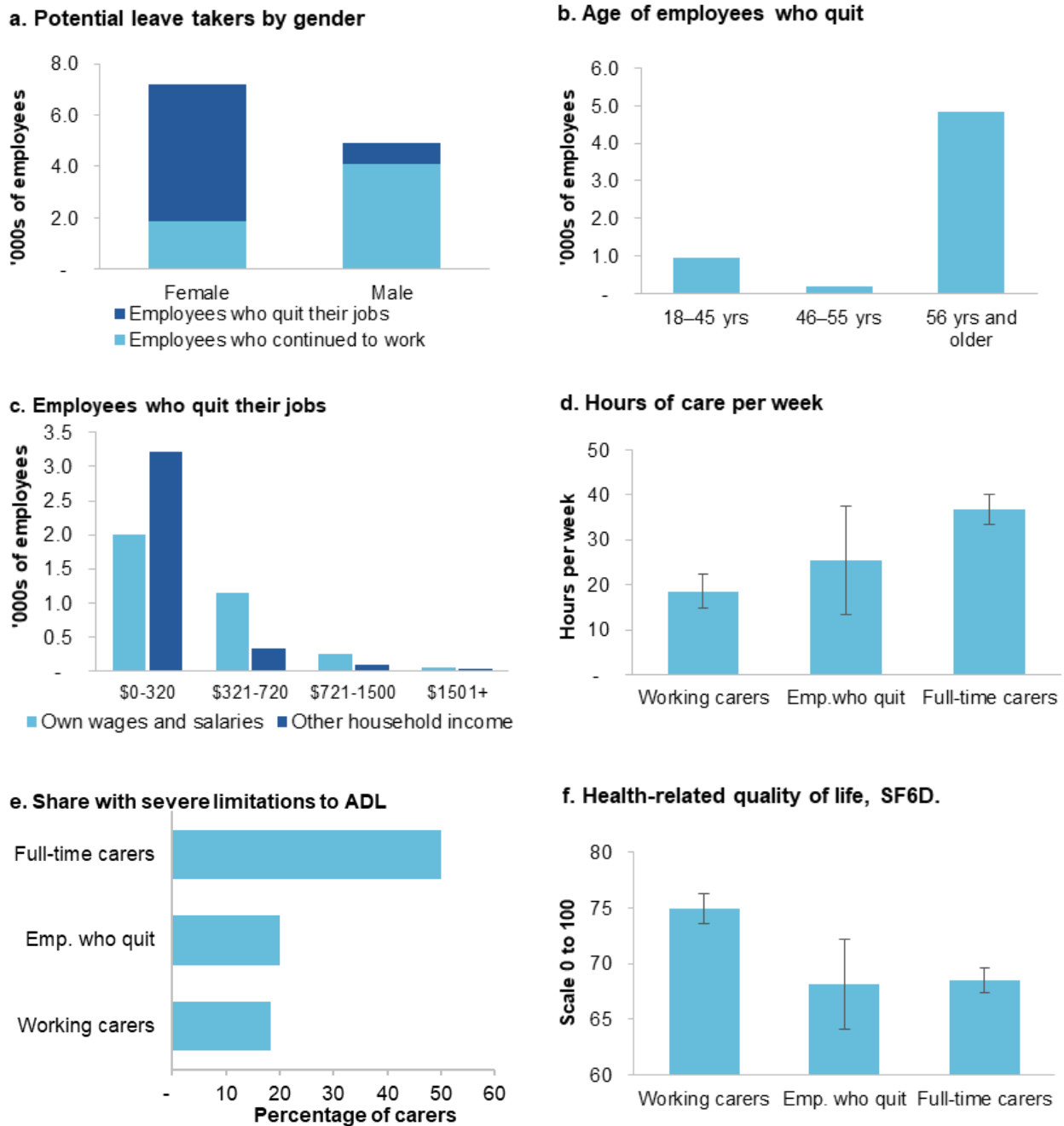
The small number of survey respondents in SDAC and HILDA limits insights on the characteristics of potential entitlement users, however, there are some observable patterns in the characteristics of potential users of the entitlement. Most of the employees (about 60 per cent) were women and over half had quit their jobs to provide care (figure 4a). And of the employees who quit their jobs to provide care and who would have taken up an entitlement had it been available:

- most were between the ages of 56 and 65 years (figure 4b), although at the time of the survey, most in this age group could access their superannuation (but no longer)
- most were expected to earn up to \$720 per week the year before they commenced caring (figure 4c)
- they provided more hours of care each week before quitting work than working carers and fewer hours each week than full-time carers (figure 4d)
- fewer were caring for older persons with severe limitations to activities of daily living than full-time carers, noting the small number of observations (figure 4e)
- they exhibited relatively low health-related low quality of life compared with working carers and comparable with full-time carers (figure 4f).

There is little international literature who are most likely to take unpaid leave. What evidence is available suggests that most leave takers are women.

- An evaluation of the Austrian *Pflegekarenz* between 2017 and 2019 found that two thirds of care leavers were women. Caregivers who took leave had relatively low incomes and lived in smaller population municipalities (Schmidt and Schmidt 2022, pp. 103–104).
- In Belgium, almost 90 per cent of employees who took full-time unpaid leave under the Time Credit/Career Break were women (Mortelmans and Fusulier 2022, pp. 113–114). Women who exercised the Time Credit/Career Break equally divided their leave between end-of-career leave and part-time general leave and were typically younger than men. Most men chose to work part-time as *end-of-career* leave when they used the Time Credit/Career Break (Mortelmans and Fusulier 2022, pp. 113–114), although it is not clear to what extent the decision to take end-of-career leave was motivated by early retirement or the desire to care for an older person.

Figure 4 — Demographic characteristics of potential leave takers^{a,b,c,d,e}



a. Household income equivalised and age-adjusted prior to leaving work. 'Other household income' is equal to the total household income less the carer's 'own wages and salaries'. **b.** Employees who quit their jobs are persons who worked in Year 0, quit work in Year 1 and would have taken a leave entitlement if it were offered to them. Working carers are persons who continued to work and provide care to older people rather than stop working while providing care. Full-time carers are people who never worked and provided care instead. **c.** SF6D is Short Form 6 Dimension health index adopted from the RAND Corporation health-related quality of life survey instrument SF-36, using UK population weights. **d.** 95 per cent confidence intervals.

Source: Productivity Commission estimates based on ABS (2019) and HILDA (Release 20).

2. The expected effects on paid work

There is almost no literature on the effect of an unpaid carer leave entitlement on participation in paid work (Brimblecombe, et al. 2018). One exception is Pavalko and Henderson (2006), who found that access to unpaid family leave in the United States (a statutory entitlement to 12 weeks of unpaid leave) increased the likelihood that people working prior to the onset of care of an older person remained employed up to two years later. But this measure does not account for the temporary decrease in participation in paid work by those who would have continued working in the absence of access to unpaid family leave.

The Commission's approach was to estimate the number of employees who would be induced to return to work, and the number of employee-years gained and lost.

- Of the 6000 carers who would have continued working had they not taken up the entitlement (section 1), we assumed the majority would return to work after three months. The time that people in this group would have spent away from work amounts to a loss of employment of about 1500 employee-years.
- Of the 6000 carers who quit their jobs who would have taken up the entitlement had it been available, about 25 per cent would have exercised their right to return within one year, which is equivalent to about 1500 employee-years. But some of these employees would have returned to work without the entitlement, so the additional contribution of the entitlement is estimated to be about 1.5 months per employee, or 750 employee-years.

A conservative estimate is that the entitlement would induce almost two-thirds of entitlement users to return to work. But overall, the entitlement is likely to reduce the total amount of work by at least 1.5 months for each entitlement user or 750 employee-years. These estimates do not account for longer term effects, such as a carer's lifetime attachment to the workforce. The following discussion provides more detail on how these estimates were derived.

Effect on participation by entitlement users who would quit their job in its absence

The entitlement would induce additional paid work by entitlement users who would otherwise quit their job by allowing them to return to paid work more seamlessly. We estimated the effect by undertaking two steps: the first was to estimate the number of people who would quit their job and exercise their right to return to work, and the second was to estimate the number of additional months of paid work that would result.

For both steps, we took the two cohorts of carers who quit their jobs (the lower-bound estimate of 3000 and the upper-bound estimate of 9000, section 1) and tracked their labour force status using successive waves of the HILDA survey between 2005 and 2020. Using these historical data, we asked two questions of each cohort: what proportion of the cohort was employed or looking for work after 6 and 18 months? These estimates give the proportion of the cohorts who were induced to return to work. The average of these for estimates (two periods of absences for each of the two cohorts) gives an estimate of the proportion of carers who would exercise their right to return with a 12 month entitlement.

Overall, about one quarter of employees⁸ who would have quit their job in the absence of the entitlement would exercise their right to return, and the entitlement is expected to induce about 1.5 months of paid work per entitlement user because:

⁸ The 25 per cent result is the average of those working or seeking work after 6 months (between 5 and 15 per cent) and 18 months (between 35 and 45 per cent).

- after 6 months, between 5 and 15 per cent of entitlement users (reflecting the low and high estimates) who would otherwise have quit their jobs would have exercised their right to return to work. The amount of additional work induced by the entitlement would have been only about 0.5 to 1 month per entitlement user.
- after 18 months, between 35 and 45 per cent of carers would have exercised their right to return to work. Again, most found another job within one year so the amount of additional paid work induced by the entitlement would have been only 1 to 2.5 months per entitlement user.

The method unpinning the estimates is set out in (box 2). The assumption is that the entitlement is assumed to have sped up the return to work of those who otherwise would have found work (by allowing them to return to their original jobs) after their 6- or 18-month absence, and to have provided work to those carers who were not in work but still looking for work at the end of the 6- or 18-month absence.

Box 2 – Estimating the amount of additional paid work among entitlement users who would otherwise have quit their jobs

The HILDA survey data for 2005 and 2020 was used to track the labour force status of two cohorts of job quitters — a lower-bound estimate of 3000 carers and an upper-bound estimate of 9000 carers. Every person in the cohort was tracked from the moment they were observed to leave work to provide care for until everyone was either working or had withdrawn from the labour force, which for some people was 30 months after they first left the workforce.

The amount of additional work that would be induced by an entitlement is inferred by comparing when a person found work (or left the labour force) and when the individual could have exercised their right to return if a 6- or 12-month entitlement was available. For example, if an employee was unemployed and looking for work after 6 months but eventually found work two years later, then a 6-month entitlement would have resulted in two years of additional paid work.

If on the other hand, if someone who had quit their job returned to work during the entitlement period, we assumed that they returned to work in half the time than they would have in the absence of the entitlement.^a This was because they were returning to their original job or employer rather than looking for a new job.

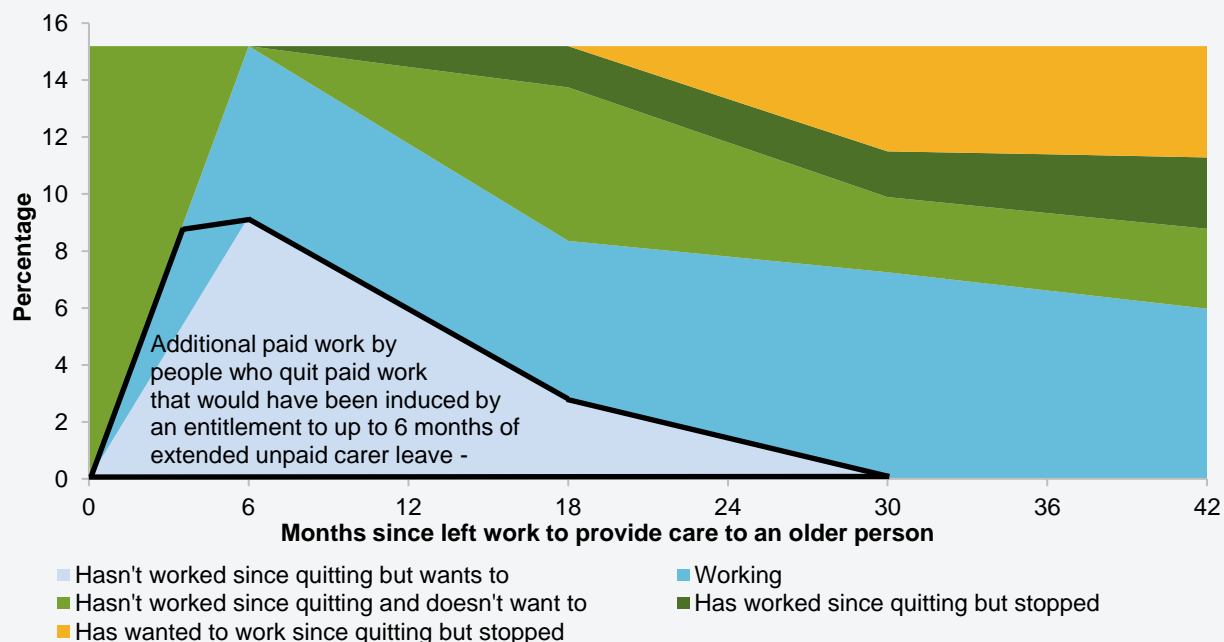
The figure illustrates the process in graphical form of the labour force status of the upper-bound estimate of 9000 job quitters looking for work after a 6-month absence. As noted earlier, 15 per cent of this cohort were found to be working, looking for work, or marginally engaged in the labour force 6 months after leaving work. About 9 per cent of all entitlement users had not worked but wanted to work after 6 months. About 6 per cent of all entitlement users made up this cohort 12 months after leaving work, almost 3 per cent after 18 months, and almost 1.5 per cent at 24 months. The area outlined in black represents the amount of additional paid work by this cohort that would have been induced.

There is also another cohort of interest — those who would have exercised their right to return if entitled to up to 18 months of unpaid leave but not if entitled to only 6 months of unpaid leave. This includes those who did not want to work approximately 6 months after quitting their job, but were either actively seeking work or not actively seeking work but wanted to work and would be able to start work within four weeks approximately 18 months after quitting their job. We included them in our estimates of additional induced paid work.

Box 2 – Estimating the amount of additional paid work among entitlement users who would otherwise have quit their jobs

Labour force status and additional paid work of job quitters

Upper bound estimate of people who would have quit paid work, 6 months after leaving work, 2005–2020



a. We assumed that those who had already found a new job approximately 6 months after quitting paid work would have returned to work in approximately half as much time if they had instead taken extended unpaid carer leave and exercised their right to return. On average over 2002–2020, new employees in Australia were unemployed (out of paid work and actively seeking it) for about 1.5 months prior to starting work (Productivity Commission estimates based on HILDA Release 20).

Source: Productivity Commission estimates based on HILDA Release 20.

Effect on participation by entitlement users who would continue in paid work in its absence

The entitlement would reduce participation in paid work by entitlement users who would otherwise continue in paid work because it draws them away from paid work. The magnitude of the effect would depend on the average duration of leave and the share of these entitlement users who would exercise their right to return.

The average duration taken by this group would probably be not much more than 3 months, the minimum period allowed under the proposed entitlement. Overseas experience suggests that the average duration of extended unpaid carer leave would be about 2 to 3 months, although there is some uncertainty around this.

The share of these entitlement users who would exercise their right to return is uncertain. We estimate that only about one quarter of entitlement users who would otherwise have quit their job would exercise their right to return, but the group considered here would seem to have a stronger preference for participating in paid

work. If all were to exercise their right to return, the reduction to paid work would be between 2 and 3 months for each entitlement user. The fewer who do, the greater this reduction would be.

3. What about the effects on informal care?

An unpaid leave entitlement is expected to increase informal care provided by entitlement users.

It would increase the amount of informal care provided by entitlement users who would continue working in its absence (about half of all entitlement users), as they would no longer be engaged in paid work so they could provide more informal care. Responses to the SDAC provide some insights on the amount of informal care this group would supply in the absence of the entitlement.

- Up to half of these entitlement users would not provide any informal care in the absence of the entitlement, because they would not be carers. They are entitlement users who, for example, live too far from the older person needing care to be able to provide informal care while they are in paid work.
- The remainder of these entitlement users are non-primary carers (hours of care provided are not known) and primary carers (median hours of care provided between 20 and 29 hours per week) (Productivity Commission estimates based on ABS (2019)). They would probably increase their hours of care.

The amount of care this group would provide while on extended unpaid carer leave is not entirely clear. Some uplift in care would be expected in most cases because this is the reason for taking extended unpaid carer leave. For example, while not necessarily direct indicators, the median primary carer of an older person who:

- was not in paid work but had worked at some point in the past 3 years provided between 30 and 39 hours of care per week
- received the Carer Payment provided between 40 and 59 hours of care per week in 2018 (Productivity Commission estimates based on ABS (2019)).

The entitlement is not expected to have any (or little) effect on the amount of informal care provided by entitlement users who would have quit their job in its absence. It is also unlikely to have an effect on informal care provided by those who would not exercise their right to return to work (90 per cent of this group, section 3.2). But the amount of informal care provided by the 10 per cent who would exercise their right to return to work is likely to decrease.

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