



The economic cost of dementia to English businesses – 2019 update

A report for Alzheimer's Society

September 2019

Cebr

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London, September 2019

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Executive Summary

This is a report by the Centre for Economics and Business Research (Cebr) on the economic costs of dementia to English businesses. The report compiles the results of a study on behalf of Alzheimer's Society and is an update of a report completed in 2014.

The cost of dementia is felt throughout society in many ways. Beyond the associated health and social care costs that arise from treatment of the condition, dementia also creates costs for businesses. People living with dementia, as well as unpaid carers who provide support to people with dementia, are integral parts of the workforce. Their departure from the labour market or reduction in working hours leads to costs for businesses in England and places increasing pressure on them to mitigate this.

Since the last report in 2014, the estimated cost of dementia has increased, as both the number of people living with dementia and the number of carers providing support to people living with dementia, continue to rise.

This executive summary presents key findings from the research.

Alzheimer's Society would like to thank Legal & General Group for kindly funding this piece of research.

Key findings

- There are **over 5,400,000 carers in England who are looking after, or giving help to, a sick, disabled or elderly person**. Responses from the SACE survey show that **35% of carers were caring for someone living with dementia, over 1,800,000 people in 2019**.
- **Approximately 20% of people caring for someone with dementia are in some form of paid work**, including working part-time, full-time or being self-employed, **totalling over 355,000 people**.
- **Over 147,000 workers working as carers supporting a person with dementia, have had to reduce their work commitments, or are having difficulty balancing work and caring**. They spend, on average, seven hours per week fulfilling their caring responsibilities, more than 51 million hours. **This will cost English businesses £654.9 million in 2019**.
- A total of 112,540 are no longer in paid employment due to their caring responsibilities. **The loss of their skills and experience will cost English businesses almost £2.6 billion in 2019**.
- **In total, the cost of working time lost to caring for people living with dementia in 2019 is approximately £3.2 billion**.
- Looking ahead, an increasing number of people will reduce their hours in order to meet their caring commitments. This foregone labour due to carers changing their working patterns is **expected to cost English businesses £1.3 billion in 2040**.
- **In 2040, there will be over 127,700 people who will have withdrawn completely from the workforce** to care for someone living with dementia. The value of this foregone labour is **expected**

to rise to £5 billion in 2040. This will bring the **total value of labour foregone to care for people with dementia to approximately £6.3 billion per year** – double the current amount.

- With appropriate adaptations, many workers with dementia will be able to work for some time after diagnosis. However, for employees who are unable to continue working, there is a subsequent cost to businesses. We estimate that there are **approximately 47,000 people living with dementia in the workforce in 2019. The loss of their skills and experience is estimated to cost English businesses over £1 billion** in 2019.
- The number of people who have retired from the workforce due to dementia is **expected to rise to almost 53,400 in 2040**. In that year, the value of the skills and experience lost is expected to surpass **£2 billion**.
- With the right support, people with dementia are able to interact with businesses and contribute to the economy even as they become less independent. **76% of people caring for a person with dementia provide support by taking the person they are caring for out. An Alzheimer's Society survey¹ also found that almost 80% of people with dementia list shopping as their favourite activity.**
- **Households with someone living with dementia will spend £16.7 billion in England in 2019**. The top three categories of spending by households with people living with dementia (recreation & culture, housing fuel & power and food & non-alcoholic drink) account for over 40% of spending.
- **The amount of consumer spending by households with an individual living with dementia is expected to double between 2019 and 2040, to £33.9 billion.**

¹ Alzheimer's Society, https://www.alzheimers.org.uk/sites/default/files/migrate/downloads/dementia_friendly_retail_guide.pdf

1 Introduction

1.1 What is dementia?

Dementia is not a disease, but rather a term used to cover a broad range of progressive conditions affecting the brain. While there are over 200 subtypes of dementia, the most common are Alzheimer's disease, vascular dementia, dementia with Lewy bodies, frontotemporal dementia and mixed dementia. The symptoms of dementia are usually understood in three stages, comprising mild, moderate and severe dementia, although the speed someone progresses between stages will vary from person to person. Initially, people living with dementia experience mild symptoms, meaning some individuals do not receive a dementia diagnosis until later. In other cases, the stigma attached to dementia prevents people getting a diagnosis at all.

Symptoms vary according to what part of the brain is affected, but generally, individuals with dementia are likely to experience some of the following:

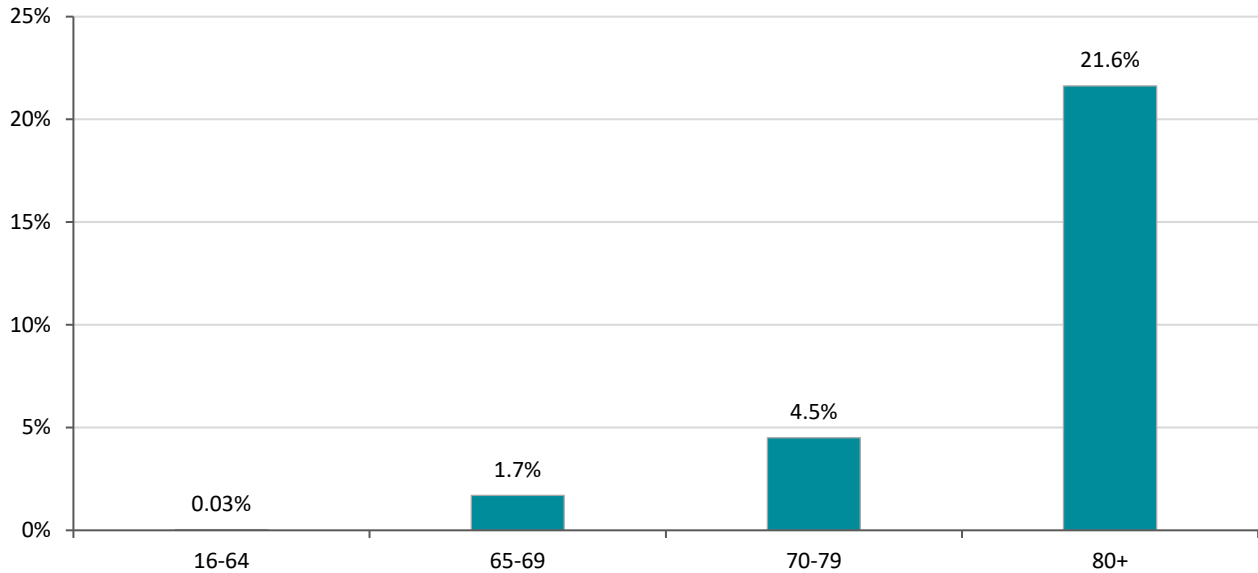
- Memory loss,
- Difficulty concentrating,
- Finding it hard to complete familiar day-to-day tasks, such as handling money in shops,
- Confusion about time and place,
- Changes in mood.

1.2 The rising prevalence of dementia

In 2019, an estimated 803,021 people are said to be living with dementia in England². This is up by 14.2% from the 703,369 recorded in 2014, driven by the general population growth. Although age is the strongest known non-modifiable risk factor for developing dementia, it is not a normal part of ageing. People under the age of 65 can also develop dementia, although prevalence is much lower as shown in Figure 1.

² Numbers provided by Alzheimer's Society

Figure 1: Prevalence of dementia in England in each age group, 2019

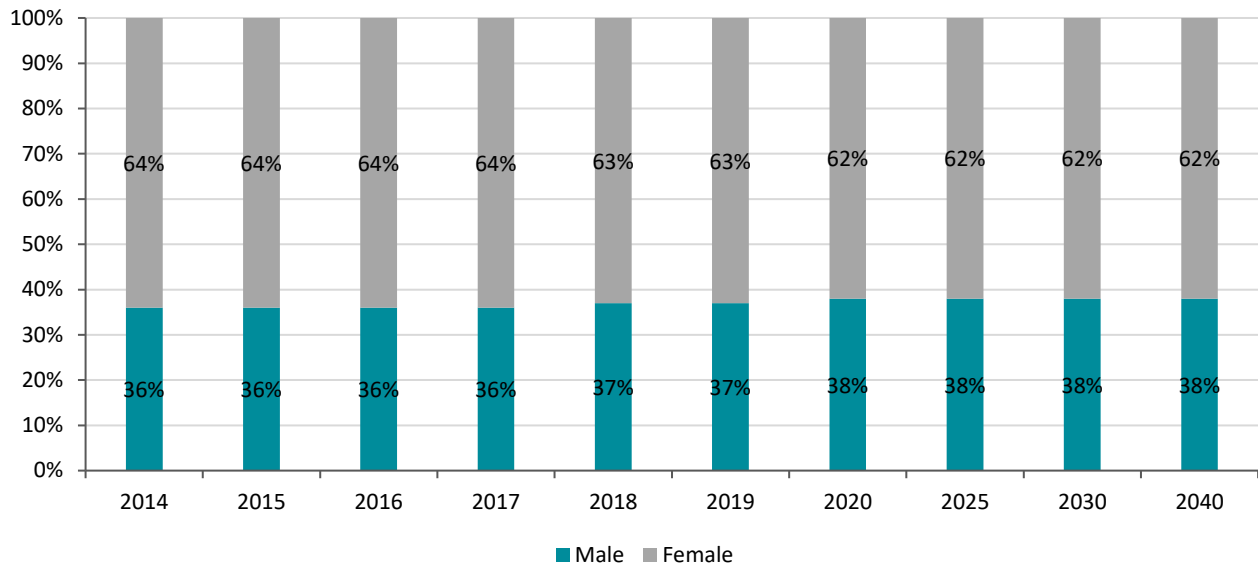


Source: Alzheimer's Society, Cebr analysis

Worldwide, more women live with dementia than men³, a pattern which has also been observed across the UK in previous years. This trend between men and women is expected to remain largely unchanged in the years ahead, as per Figure 2. In 2040, 62% of all people living with dementia are expected to be women, only 1 percentage point below the 63% observed in 2019.

³ Alzheimer's Disease International (2015) Women and Dementia: A global review. <https://www.alz.co.uk/women-and-dementia>

Figure 2: Proportion of people with dementia, by gender



Source: Alzheimer's Society, Cebr analysis

1.3 How does dementia affect businesses?

The cost of dementia is felt throughout society in many ways. Most obvious are the associated health and social care costs that arise from the treatment of dementia, as well as the impact of dementia on those living with it and their loved ones.

As well as this, dementia also creates costs for businesses, as it impacts members of the labour force. Our analysis does not only look at workers who are living with dementia, but also analyses the costs to businesses arising from workers who are caring for others living with dementia.

Four main types of economic costs are considered in this report. These are:

1. Time taken to care for friends and family with dementia

When a friend or family member is living with dementia, workers may need to take time away from work, change their working hours, or leave the workforce entirely, in order to meet care commitments. This has a knock-on effect on output at work, with output lost due to reduced hours causing a loss for businesses.

2. Productivity loss due to workers caring for friends and family with dementia

As a result of their caring commitments, carers can themselves experience health problems, such as exhaustion, stress and a deterioration in existing conditions. This can lead to lower productivity in the workplace and a subsequent reduction in output, even if a carer continues to work their normal hours. This phenomenon is known as presenteeism, and is an indirect cost to businesses.

3. Workers developing dementia and retiring

With appropriate adaptations, some workers with dementia may be able to continue working after diagnosis. However, due to the progressive nature of the condition, workers

may need to retire earlier than planned. Businesses therefore stand to lose the skills and experience of these individuals upon their departure.

4. Household spending at risk

As the condition progresses, individuals living with dementia face barriers to undertaking activities that contribute to the economy, such as shopping, eating out or taking part in leisure activities. The value of consumer spending by households with people living with dementia is presented as a risk to businesses and shows what is at stake should those living with dementia become more inclined to reduce their social activities or their spending as their condition progresses.

Through an analysis of these channels, this report considers the costs dementia imposes on English businesses in the present day, and projects how these are likely to change between now and 2040.

2 The current cost of dementia to English businesses

With over 800,000 people estimated to be living with dementia in England, it is almost inevitable that businesses will face cost implications from the condition. In this chapter we consider: the costs to businesses of the working time foregone by workers caring for friends and relatives living with dementia; the cost of skills lost from the workforce when individuals working with dementia retire earlier; and the value of spending by households affected by dementia.

2.1 The cost to business of time taken to care for friends and relatives affected by dementia

As their condition progresses, people living with dementia increasingly need help with day-to-day activities. These range from giving medicines, to providing physical assistance. According to the 2018/19 Survey of Adult Carers in England (SACE), 71% of those caring for people living with dementia provide personal care⁴, with 60% providing physical help. As well as helping with activities within the home, some carers also assist those living with dementia to go out in the community (76%) and give emotional support (84%). 93% of carers supporting a person with dementia said they often checked with the person they were caring for to see they were alright, while other tasks include helping with paperwork or financial matters and other practical assistance. These figures are broadly similar to the responses from people providing unpaid care for other conditions, such as a physical disability and terminal illness.

The time taken to provide this level of care for family and friends living with dementia can make it harder to work their contracted hours. Where necessary, carers will adapt their working patterns and hours, sometimes opting to reduce hours and in turn reducing output for businesses.

Caring for people with dementia

Based on results from the 2011 census⁵, Carers Trust⁶, a charity for carers in the UK, estimates that there are over 5,400,000 carers in England who are looking after, or giving help to, a sick, disabled or elderly person. Responses from the SACE survey show that 35% of carers were caring for someone living with dementia, over 1,800,000 people in 2019.

As with carers looking after people with other conditions, the majority of those caring for people with dementia are in the older age groups. Figure 3 shows that the bulk of caring responsibilities for people looking after someone with dementia falls on those aged 65 and over. Carers aged 75-84 years old represent the largest cohort of carers supporting a person with dementia with respect to age, making up 28% of all those caring for individuals living with dementia. This is notably higher than for other conditions. Only carers looking after someone with a terminal illness have a comparable share (24%) who

⁴ Personal care is defined in the SACE survey as physical assistance given to a person in connection with: eating or drinking, toileting, washing or bathing, dressing, oral care and the care of skin, hair and nails

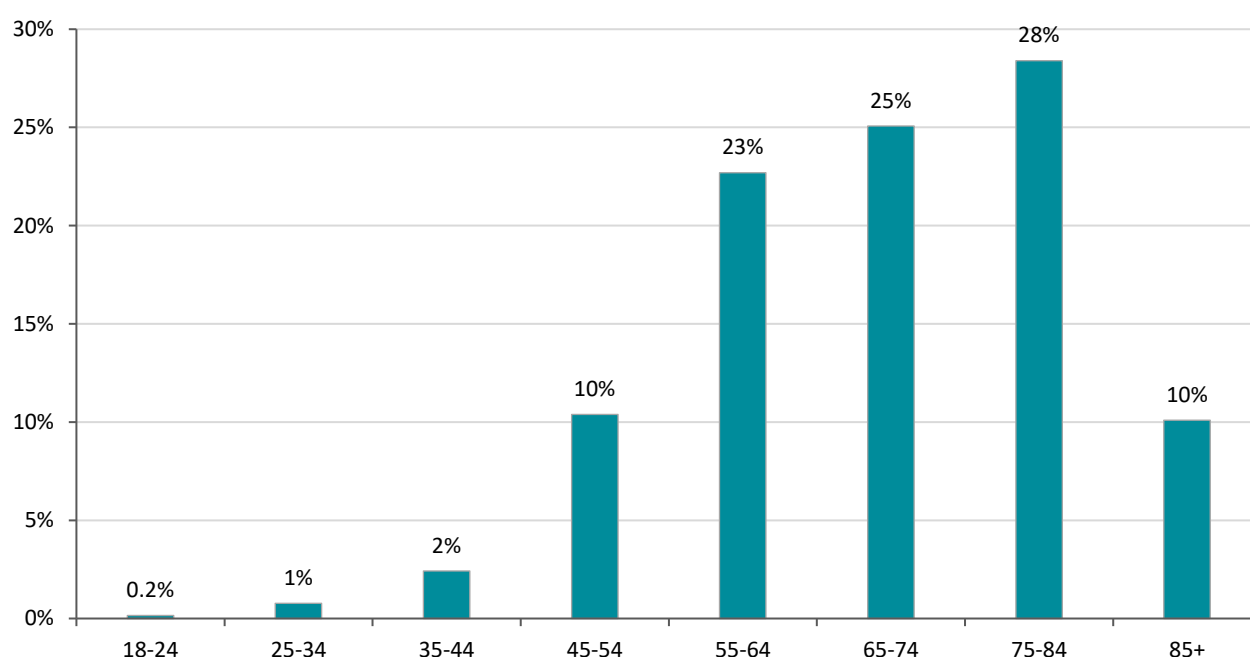
⁵ 2011 Census.

<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthcaresystem/articles/2011censusanalysisunpaidcareinenglandandwales2011andcomparisonwith2001/2013-02-15>

⁶ Carers Trust. <https://carers.org/key-facts-about-carers-and-people-they-care>

are aged 75-84 years old. Meanwhile, the share of carers aged 18-24 looking after people living with dementia is far lower, at 0.2%. Just 1% are aged between 25 and 34, and this rises to 2% and 10% for the number of carers aged 35-44 and 45-54, respectively. These characteristics are in support of existing research which points to dementia being common among older individuals. As a result, the bulk of caring responsibilities is likely to fall on spouses, who tend to be in a similar age bracket as the individual living with dementia. Even in cases where those living with dementia are relying on their children for care, their children also tend to be aged 45 or over, hence younger people supporting a person with dementia are still the smallest age group of carers.

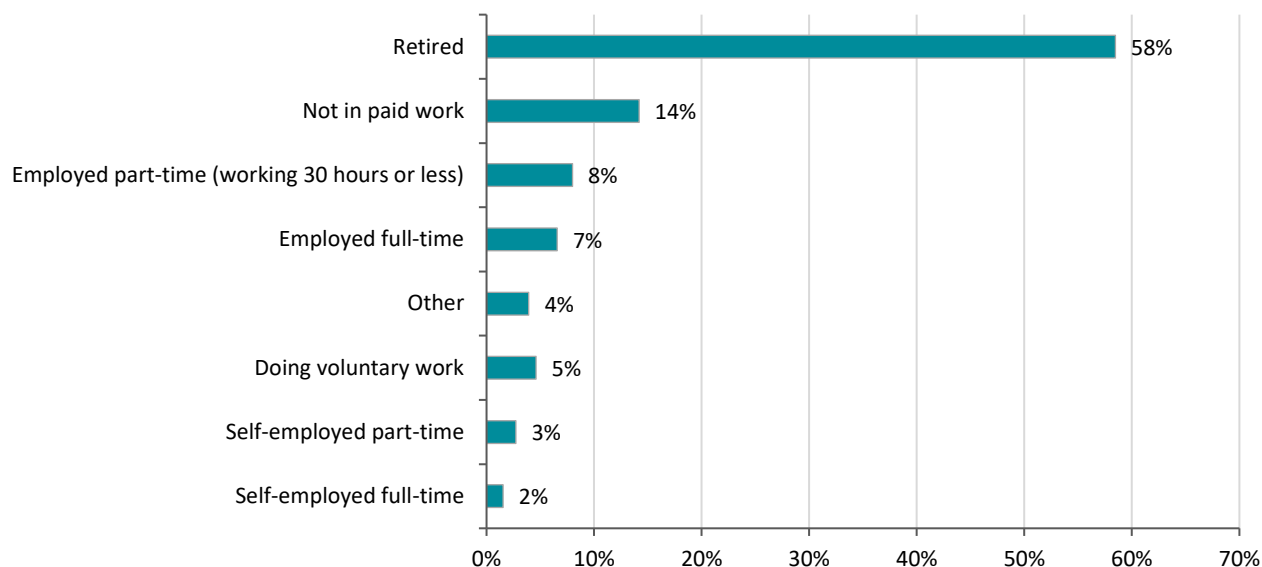
Figure 3: Age distribution of those caring for people with dementia



Source: *Survey of Adult Carers in England 2018/19, Cebr analysis*

Approximately 20% of people caring for someone with dementia are in some form of paid work, including working part-time, full-time or being self-employed, as illustrated in Figure 4, totalling over 355,000 people. Given the older age profile of carers supporting a person with dementia, relative to the overall workforce, it is no surprise that a significant proportion (58%) are retired.

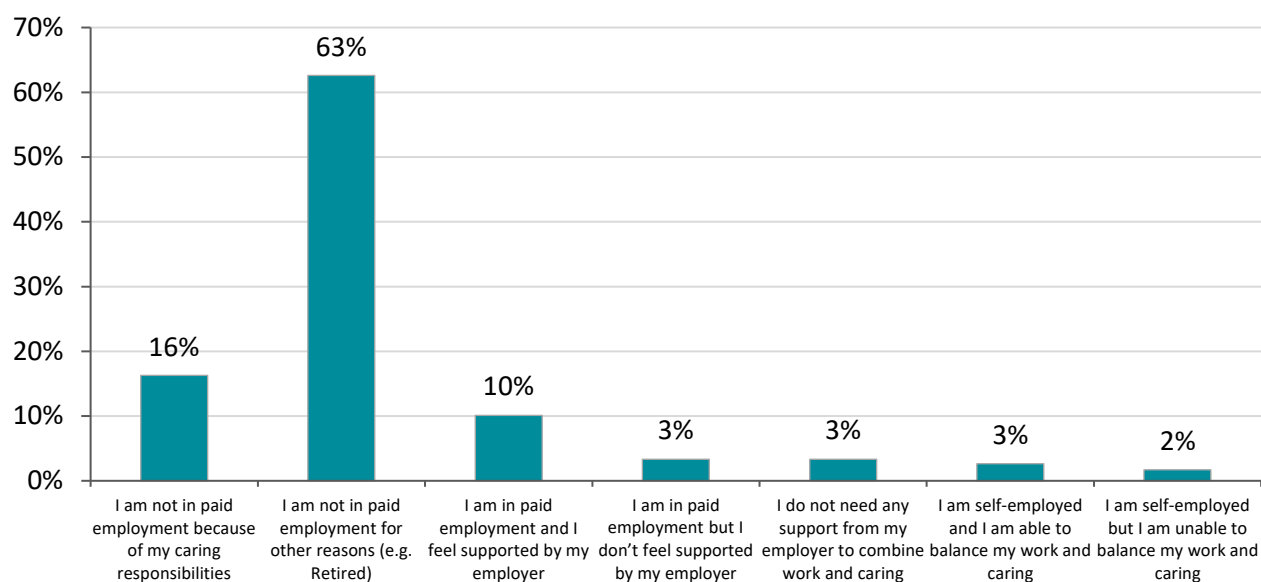
Figure 4: Employment status of carers supporting a person with dementia



Source: Survey of Adult Carers in England 2018/19, Cebr analysis

In some cases, caring responsibilities can be managed around typical working hours. Carers in the workplace are supported by the Flexible Working Regulations (2006), which stipulates that employers are expected to consider requests for flexible working from carers. However, some workers will find it impossible to maintain their normal working patterns while fulfilling their caring commitments. Analysis of the SACE survey shows that over one in five (21%) working age carers supporting a person with dementia, have had to reduce their work commitments, or are having difficulty balancing work and caring. This comes to over 147,000 workers.

The impact of this on businesses is costed using the number of hours per week spent undertaking care tasks by those who have reduced working hours. The survey shows that they spend, on average, seven hours per week fulfilling their caring responsibilities, more than 51 million hours annually across the 147,000 workers. Pricing this time using the average hourly wage, calculated using data from the Office for National Statistics' (ONS) Annual Survey of Hours and Earnings (ASHE), this forgone output has a value of £654.9 million for English businesses in 2019.

Figure 5: Employment impacts of caring for people living with dementia

Source: Survey of Adult Carers in England 2018/19, Cebr analysis

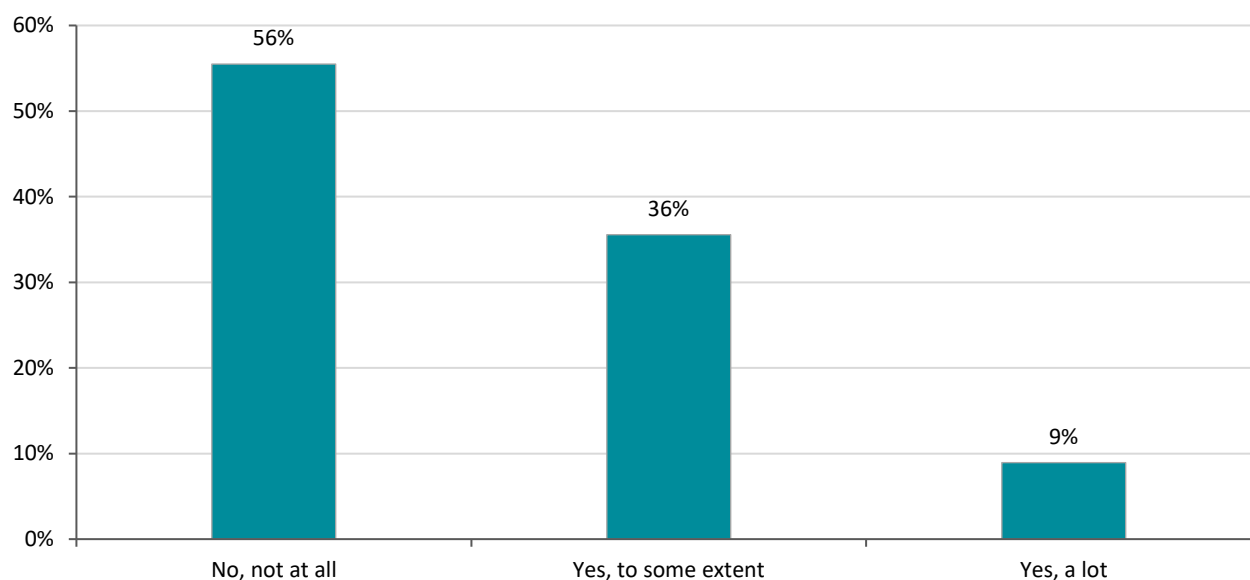
16% of working age people caring for a person with dementia are no longer in paid employment due to their caring responsibilities, amounting to over 112,540 individuals in 2019. When these workers retire from the workforce, their skills and experience are also lost, leading to a significant cost for businesses. By valuing the labour of these workers using the average annual salary of a person in employment, we calculate that people withdrawing from the workforce to care for someone with dementia, costs English businesses almost £2.6 billion in 2019.

Combining this with the cost of reductions in working hours to care for people living with dementia, we estimate that dementia caring commitments cost English businesses £3.2 billion in 2019.

It should be noted that a greater share of the total cost arises from carers leaving the workforce altogether, rather than reducing their working hours. On a per employee basis, the cost of workers reducing their working hours amounts to £4,447 per year. On the other hand, the costs for carers leaving the workforce amounts to £23,032 per employee, per year. This is reflective of the higher amount of output businesses lose when an employee leaves the workforce completely. Efforts from businesses to offer flexibility in light of the pressure carers face, will help keep their skills and experience in the workforce, avoiding the greater cost of them leaving altogether.

A noteworthy share of carers face some financial challenges as a result of their caring commitments. According to the SACE survey, 45% of carers supporting someone with dementia said that they experienced some form of financial hardship in the last year because of their caring responsibilities, as seen in Figure 6. Of this 45%, 9% say they experienced a lot of financial hardship, while 36% faced some financial difficulty. While this compares favourably to the 12% of carers looking after someone with a physical disability who said the same, and 15% of those caring for someone with a terminal illness, it still amounts to almost 170,000 carers supporting someone with dementia who have faced significant financial hardship in the last year.

Figure 6: Share of respondents who have experienced financial challenges in the last 12 months due to their caring responsibilities⁷

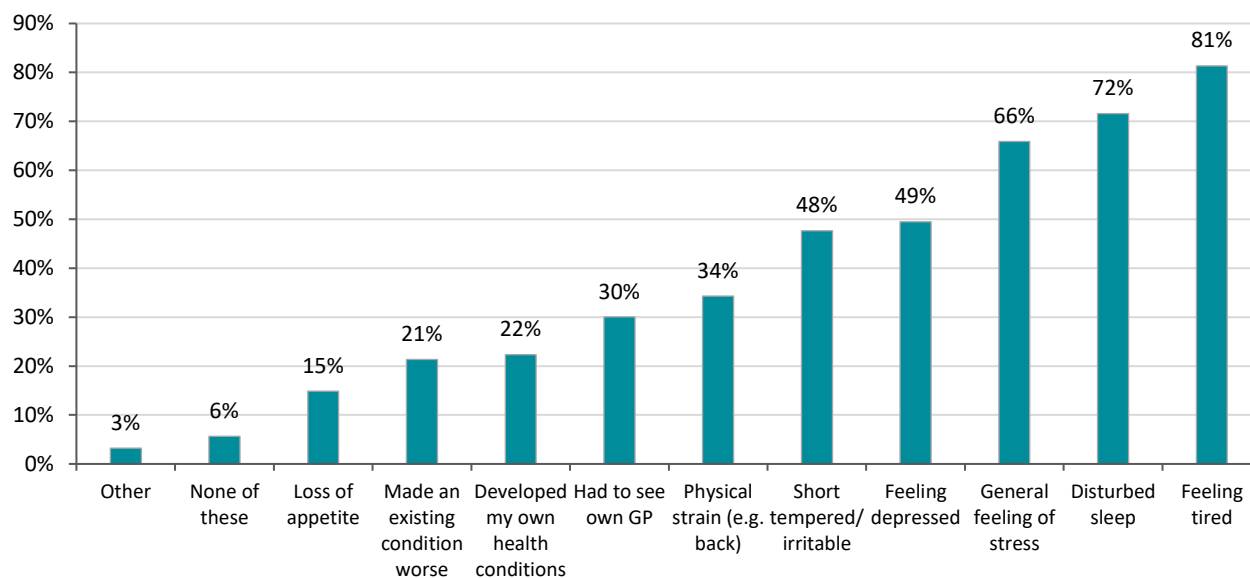


Source: *Survey of Adult Carers in England 2018/19, Cebr analysis*

In addition, businesses also face the problem of presenteeism. Presenteeism occurs when a staff member is present at work but has other matters on their mind such that they are not as focussed on their tasks as they should be, leading to a fall in productivity. This can also happen when an employee is suffering from poor health, resulting in a fall in output. Poor health relates not just to physical ailments, but also the impacts of mental health on one's work performance. While there are many triggers for illness, the challenges of caring can be a factor. The SACE survey identifies that, due to their caring responsibilities, some carers have experienced poorer health. This includes, but is not limited to, increased exhaustion, an exacerbation of existing problems and increased stress, as seen in Figure 7.

⁷ Percentages do not add up to 100% due to rounding

Figure 7: Share of carers supporting a person with dementia, whose health has been affected by their caring role



Source: Cebr analysis

While studies quantifying the effect of presenteeism are limited, research on the impact of sleep deprivation suggests that 1.9%⁸ of output is lost as a result of the impact on productivity. Assuming similarities in the overall effect on worker productivity, we use this rate to estimate the cost to businesses from presenteeism. We calculate this cost by valuing the lost output from carers supporting a person with dementia who said that they felt tired, stressed or depressed, had disturbed sleep, developed their own health conditions, or saw a deterioration in an existing condition. This cost was equal to over £64.4 million in 2019.

2.2 Workers developing dementia and retiring

Depending on the stage of the condition, individuals diagnosed with dementia are still able to maintain levels of ability that allow them to continue working after diagnosis. Many find that staying in work is better for their physical and psychological wellbeing, while others are able to adapt their roles or move to new ones as necessary. The law does provide some security for workers with dementia who want to continue working. The Equality Act (2010) specifies that an employer cannot discriminate against people in the work place with dementia. Instead, reasonable adjustments are expected to be made, such that people living with dementia are not disadvantaged and can continue in employment as long as possible.

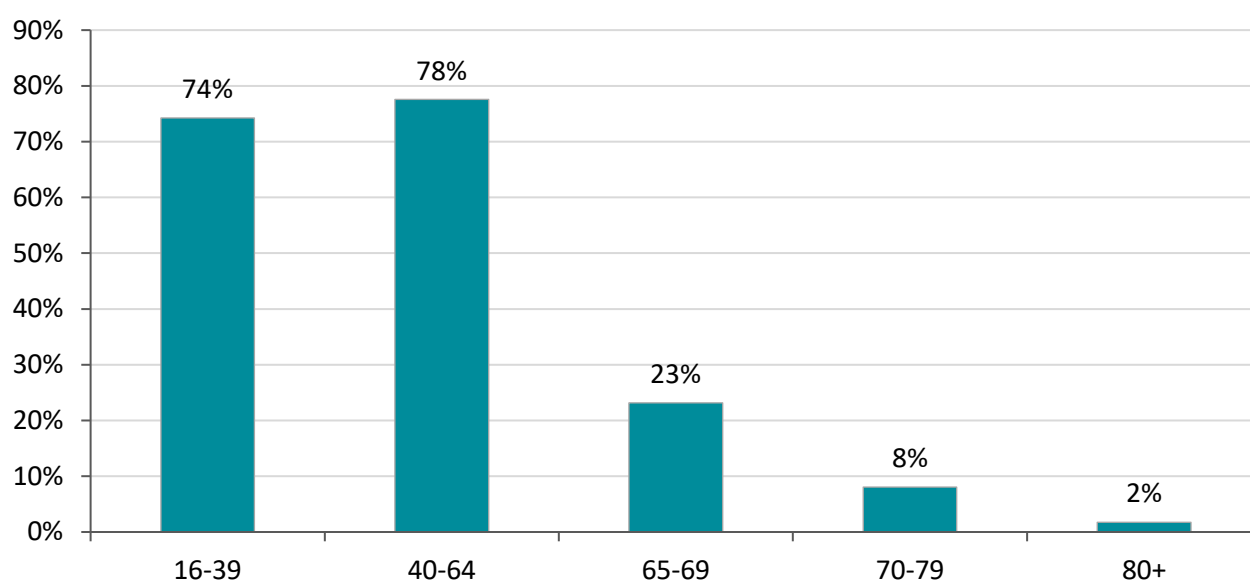
However, for employees who are unable to continue working, there is a subsequent cost to businesses. Trying to exactly match the skills and knowledge of a retired worker is difficult for businesses, who will be unable to replicate the on-the-job knowledge that such workers have amassed over the years. While

⁸ RAND Corporation. <https://www.rand.org/randeurope/research/projects/the-value-of-the-sleep-economy.html>

this may be gained over time, the delay in achieving this, plus any initial training costs, means that the retirement of workers will be a notable cost to English businesses.

Using the prevalence rates of dementia among different age groups and accounting for their respective employment rates, Cebr analyses the cost to businesses of retirement among workers living with dementia. We estimate that there are approximately 47,000 people working with dementia in 2019. For illustrative purposes we calculate the cost of these employees retiring in the same year. Valuing these workers at the average wages for their respective age groups, the retirement of these 47,000 individuals will cost English businesses of labour worth over £1 billion in 2019.

Figure 8: Employment rate, by age band, 2019



Source: ONS UK Labour Force Survey, Cebr analysis

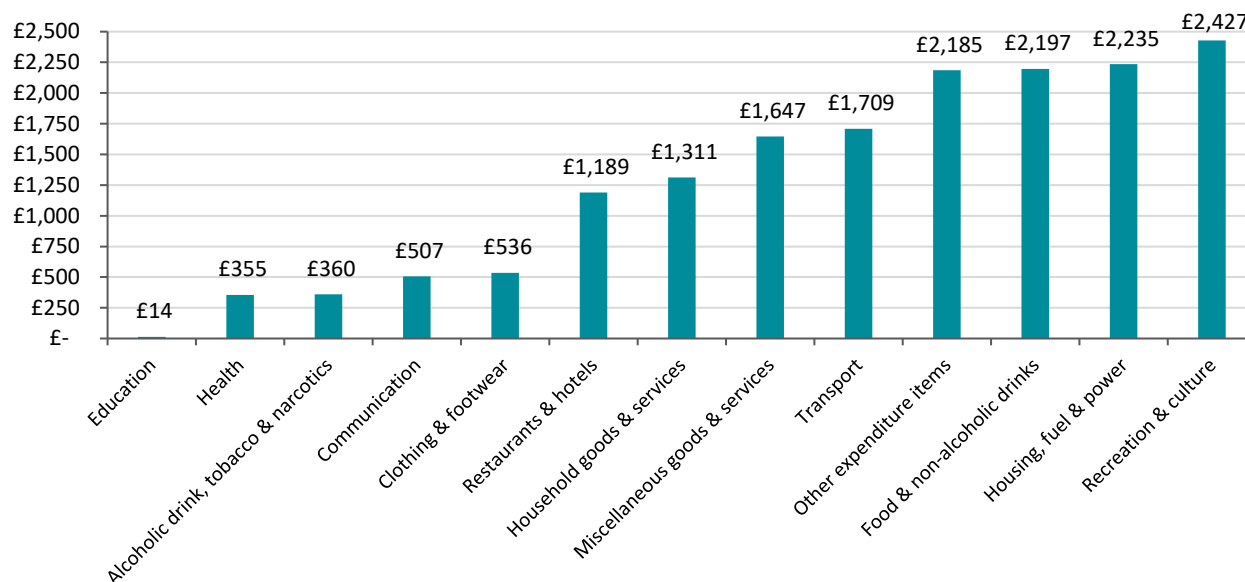
2.3 The value of spending by customers with dementia

With the right support, people with dementia are able to interact with businesses and contribute to the economy even as their condition progresses. Indeed, according to the latest SACE survey, 76% of people caring for a person with dementia provide support by taking the person they are caring for out. A 2016 Alzheimer's Society survey⁹ also found that almost 80% of people with dementia list shopping as their favourite activity. Given the spending power of people living with dementia, businesses are at risk of losing a significant amount of income should this be impaired.

Based on the prevalence of dementia, we estimate the number of households with someone living with dementia by age group, using detailed household expenditure data from the ONS. According to these estimates, these households will spend £16.7 billion in England in 2019. The breakdown of spending is shown in Figure 9.

⁹ Alzheimer's Society, https://www.alzheimers.org.uk/sites/default/files/migrate/downloads/dementia_friendly_retail_guide.pdf

Figure 9: Annual expenditure of households with someone living with dementia, £ millions, 2019



Source: ONS Family Spending Survey, Cebr analysis

The top three categories of spending by households with people living with dementia account for over 40% of spending. In total, the amount spent on recreation & culture (14%), housing fuel & power (13%) and food & non-alcoholic drink (13%) comes to £6.9 billion. A further £5.5 billion is spent on transport, miscellaneous goods & services and other expenditure items¹⁰ besides those identified in Figure 9, the only other categories of expenditure to make up at least 10% of total spending.

Expenditure on health, as identified in the ONS survey, is made up of items such as prescriptions, medical appliances and hospital services¹¹. However, these costs are likely incurred by people in the mild or moderate stages of dementia receiving unpaid care. Those in residential care often face higher, catastrophic costs, as detailed in the Alzheimer's Society report 'Dementia – the true cost'¹², which estimates that the typical expenditure on health care for one person living with dementia is approximately £100,000.

The spending figures suggest businesses are exposed to significant risk if they lose the custom of people living with dementia. Instead, businesses would benefit from taking measures to ensure a welcoming environment for people with dementia. Adopting new practices to meet these needs could also help to address some of the stigma associated with the condition. Indeed, if people with dementia feel they have adequate support to engage in the economy even as their condition progresses, businesses across a broad and varied range of sectors would continue to benefit from their spending power.

¹⁰ This is a category provided by the ONS, not a Cebr grouping.

¹¹ ONS Family spending. <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/bulletins/familyspendingintheuk/financialyearending2018>

¹² Dementia – the true cost. <https://www.alzheimers.org.uk/sites/default/files/2018-05/Dementia%20the%20true%20cost%20-%20Alzheimers%20Society%20report.pdf>

3 The future costs of dementia to English businesses

Over the coming years, the number of people living with dementia in England is expected to rise. Advances in medicine and healthcare mean that people are not only living for longer, but are also able to live for a longer period of time after a dementia diagnosis. As age is the strongest known non-modifiable risk factor for developing dementia, a population that lives longer is also more likely to be affected by dementia. As a result, dementia will not only continue to be costly for businesses, but these costs can be expected to increase over time.

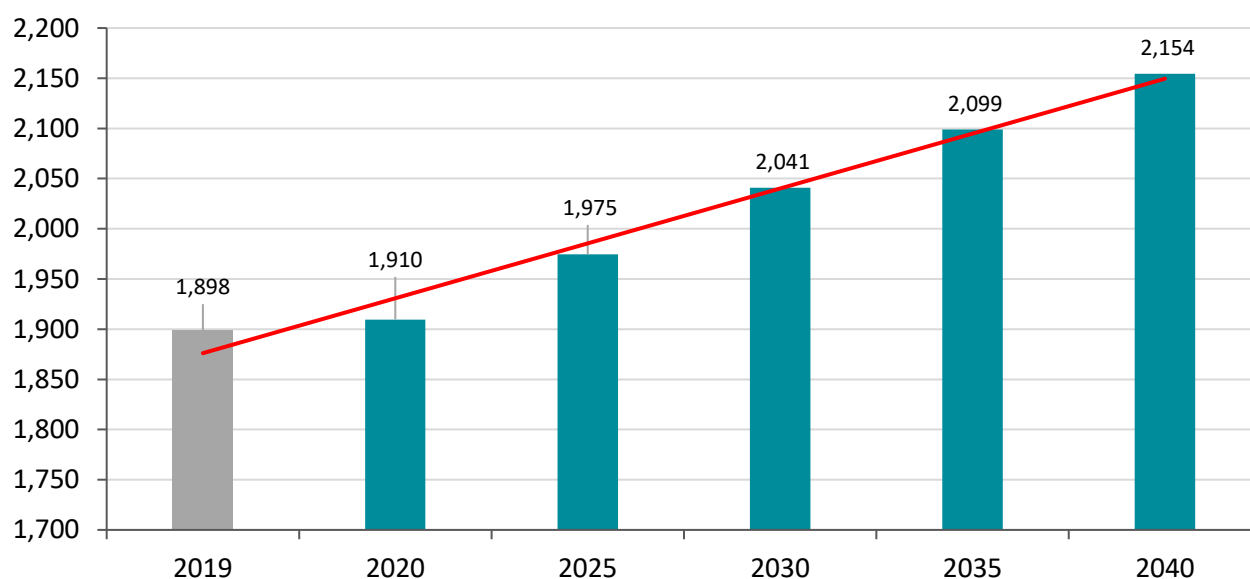
In this chapter we forecast the costs to businesses of the growing prevalence of dementia, through the impact on carers (the possibility of retirement and reduced productivity at work), the retirement of those living with dementia and the consumption of households with someone living with dementia.

3.1 Future costs to businesses through time taken to care for friends and relatives with dementia

As the population increases, the number of people living with dementia is expected to increase. While there will be pressure on the government to improve the level of care for those living with dementia, the higher number of people living with dementia will create a need for unpaid carers in the years ahead.

We estimate that there will be over 2 million carers supporting a person with dementia in England by 2030, rising to almost 2.2 million in 2040, a 14% increase from 2019. The anticipated rise is illustrated in Figure 10.

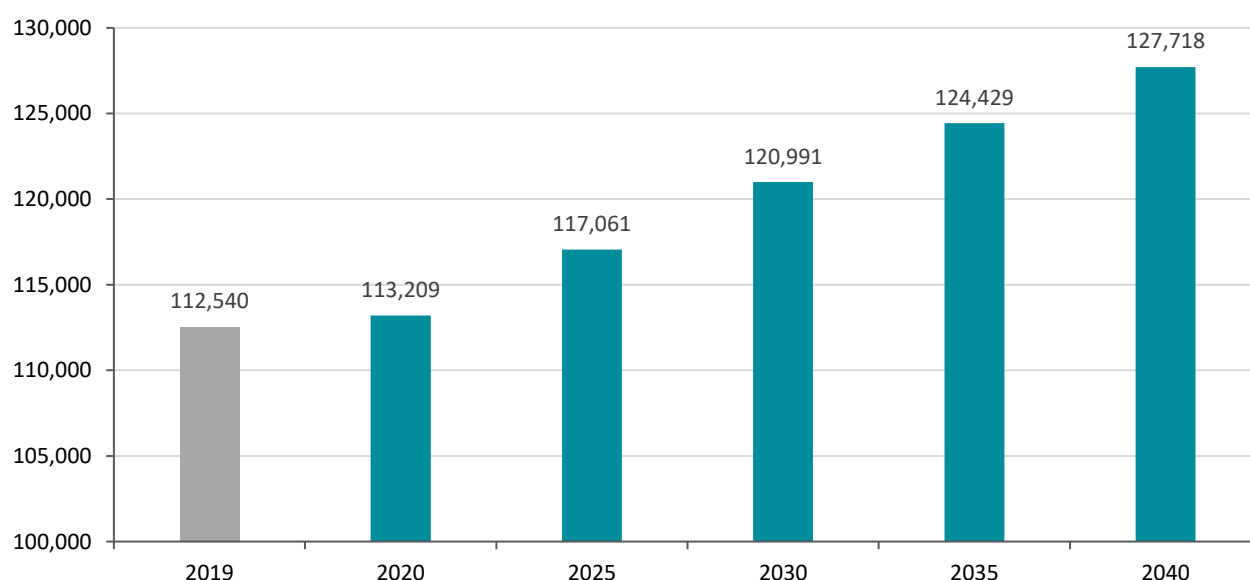
Figure 10: Forecast of the number of carers supporting a person with dementia in England, thousands



Source: Cebr analysis

The proportion of these carers who will be in employment is expected to remain stable between now and 2040. We also forecast that the proportion of carers adjusting their work patterns due to caring responsibilities remains constant, such that the reduction in time spent working remains at seven hours per week. We assume that employers will take no further action to make it easier for carers looking after a person with dementia to manage their responsibilities beyond that already required in law. As a result, in line with population growth, we estimate that the number of people who will have withdrawn from the workforce to care for a friend or family member living with dementia will rise to approximately 121,000 in 2030, and then to over 127,700 in 2040.

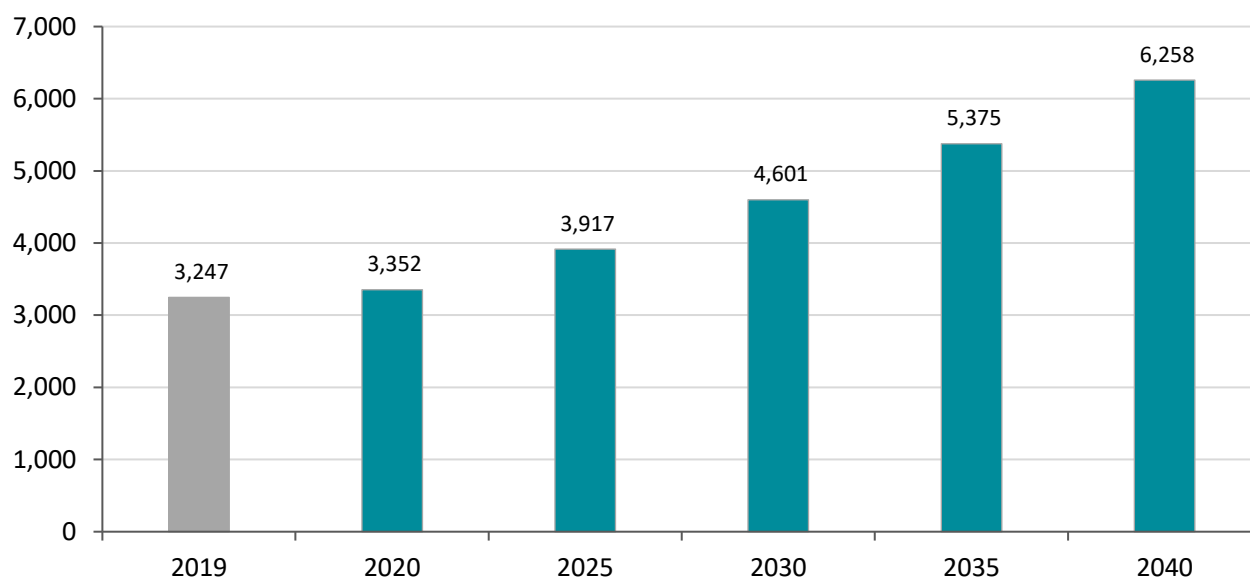
Figure 11: Projected number of carers supporting someone with dementia who will have withdrawn from the labour force



Source: Cebr analysis

If salaries grow in line with Cebr forecasts, the total cost from carers withdrawing from the labour market is expected to be £4.6 billion in 2030, rising to £6.3 billion in 2040, as shown in Figure 12, almost twice the cost in 2019.

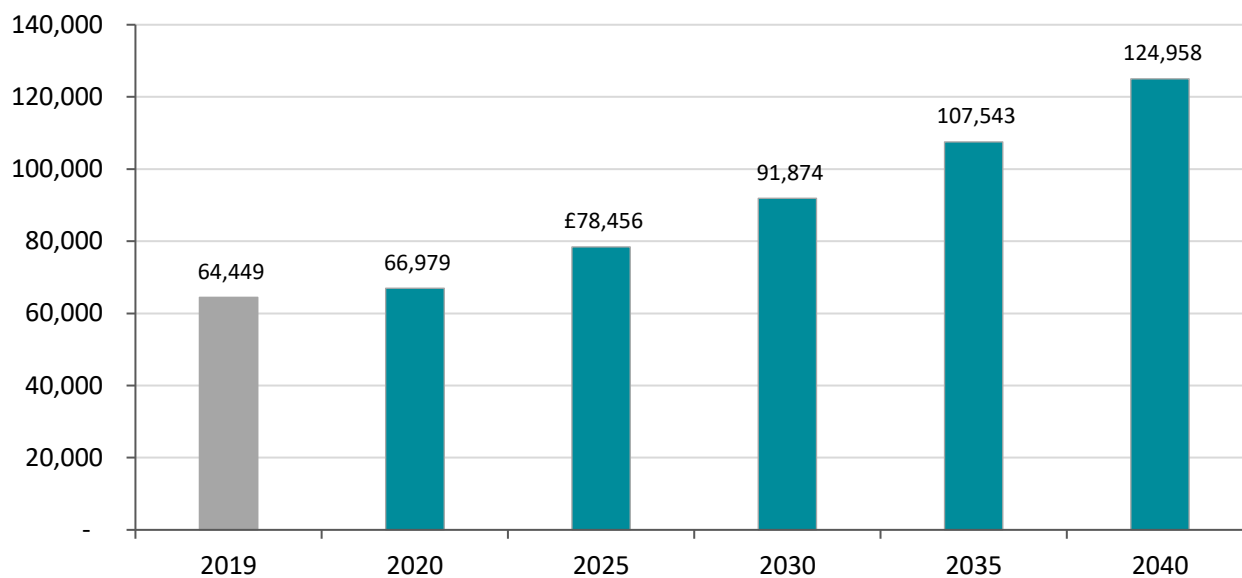
Figure 12: Value of foregone labour as workers withdraw from workforce to care for someone with dementia, £ millions



Source: Cebr analysis

These updated figures are higher than initially forecast in 2014. Costs in 2030 for instance, were expected to be approximately £3 billion, versus our updated figure of £4.6 billion. One reason for this is the higher than expected wage growth. Even in the face of Brexit uncertainty, the labour market has remained robust, with record levels of employment putting upward pressure on wages. In the three months to June 2019 for instance, the annual growth rate of average weekly earnings (including bonuses) stood at 3.7%, the fastest rate of growth in 11 years. 2019 also saw increases to both the national minimum wage and national living wage. This has led to higher labour costs for businesses and has also pushed up expected wages in our forecasts, leading to increased costs overall. We also estimate a higher number of carers in the future, as the rising number of people living with dementia prompts greater demand. As well as this, the higher share of carers supporting people with dementia has also led to upward pressure on the costs to businesses.

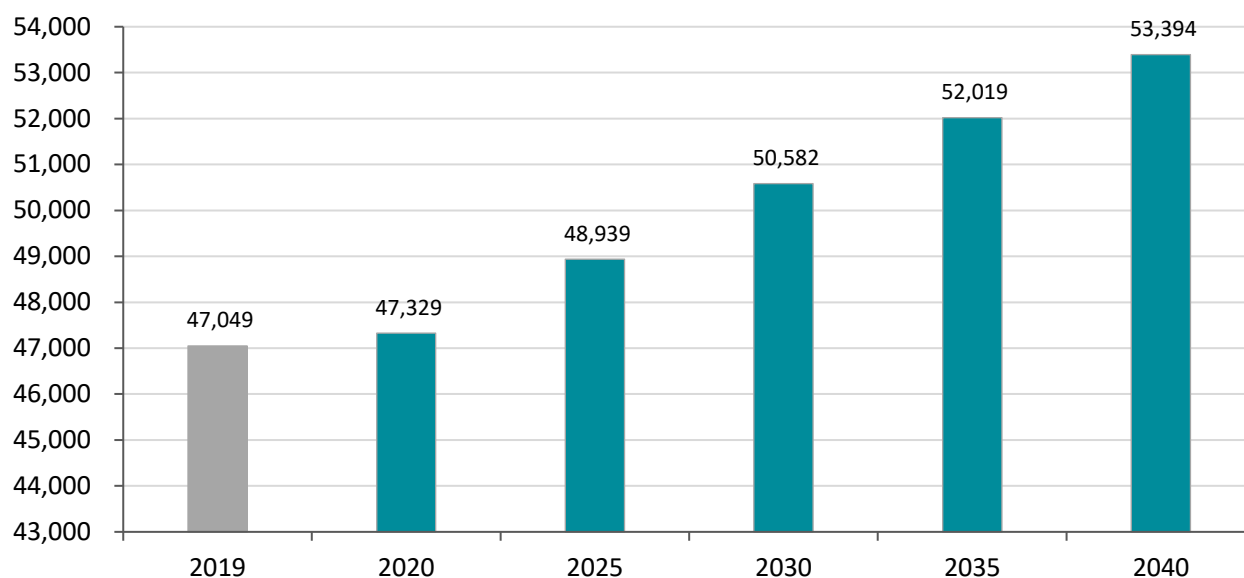
We also adjust the costs of presenteeism for increases in productivity expected over time, as per our in-house forecasts. Our calculations show that the estimated cost of presenteeism is approximately £92 million in 2030 and rises to nearly £125 million in 2040, as shown in Figure 13.

Figure 13: Value of productivity loss due to caring role, £000s

Source: Cebr analysis

3.2 Future cost to businesses of workers developing dementia and retiring

As the population grows, the number of people living with dementia is also expected to increase in the next 20 years. We estimate that the number of workers who will retire from the workforce because they are living with dementia will rise from 47,000 in 2019, to more than 53,300 in 2040, as seen in Figure 14. The pace at which the number of workers with dementia rises will be fastest between now and 2030, as the population expands at an average rate of 0.6% per year, slowing down to 0.5% annual growth from 2030 to 2040.

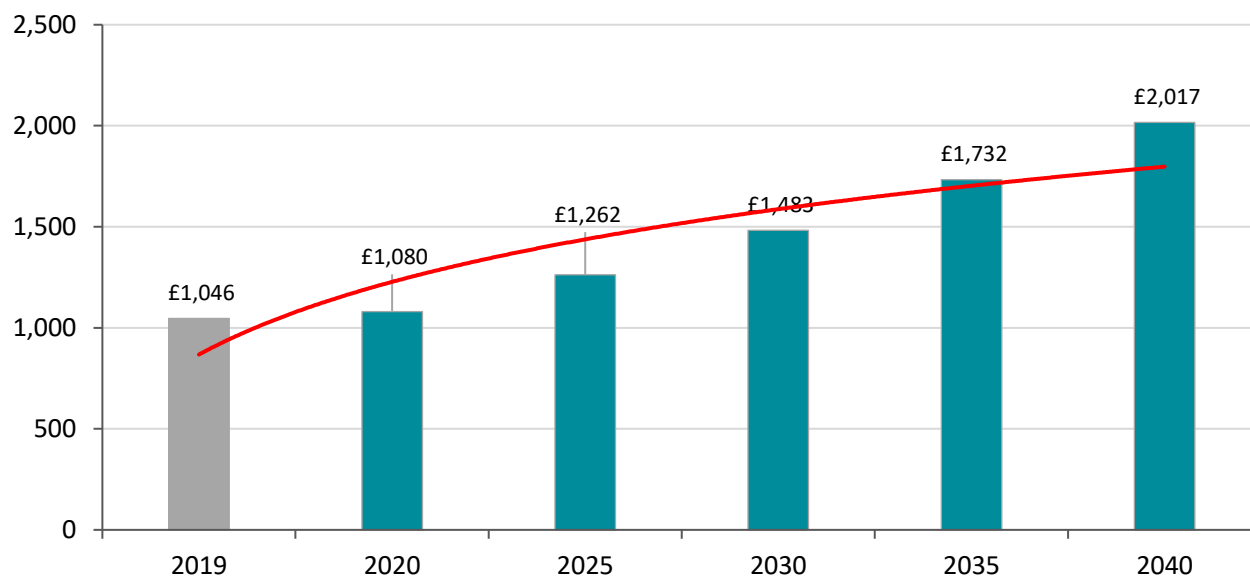
Figure 14: Projection of the number of people retiring from work due to dementia

Source: Cebr analysis

Using Cebr's forecasts of average earnings growth, the loss of these skills from the labour force and the associated cost to English businesses can be quantified by valuing their labour at their annual salary. This approach finds that the cost of the skills and experience lost from the workforce due to the retirement of workers living with dementia will rise from £1 billion in 2019 to over £2 billion by 2040.

In 2014, the estimated cost of those living with dementia retiring from the workforce was forecast to be £1.16 billion in 2030 – 22% lower than the updated forecast in this report. A pickup in wage growth and the employment rate has been a factor. The latest figures from the ONS show that the employment rate was 76.1% in the three months to June, the joint-highest level on record. Unemployment is also low by historical standards, at 3.9% in the same time period. The higher employment means that there is a greater likelihood of someone in the workforce working whilst also living with dementia, explaining the increase in the anticipated costs for businesses when compared to forecasts in the 2014 report.

Figure 15: Annual value of skills and experience lost when workers retire due to dementia, £ millions

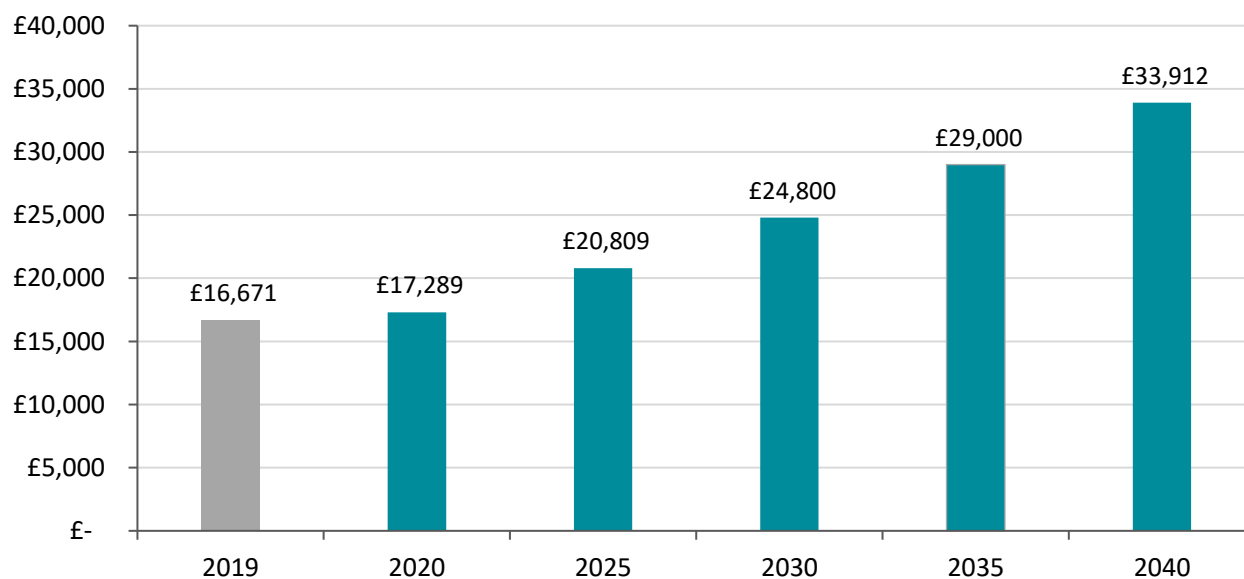


Source: Cebr analysis

3.3 Future value of spending by households affected by dementia

The future value of consumer spending by households with an individual living with dementia, is estimated using Cebr's forecasts of consumer spending growth and shows the importance for businesses to continue engaging with these consumers. The spending values shown in Figure 16 illustrate the amount at risk if those with dementia do not feel comfortable engaging with businesses.

Figure 16: Value of consumer spending attributable to households affected by dementia, £ millions

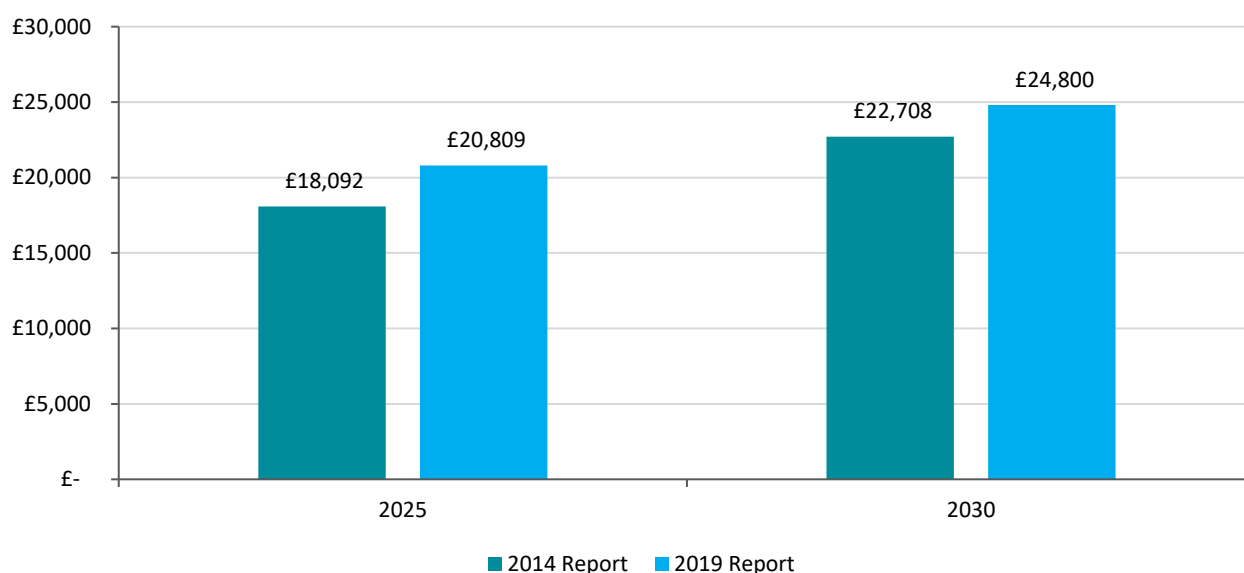


Source: Cebr analysis

The amount of consumer spending by households including an individual with dementia is expected to almost double between 2020 and 2040, to £33.9 billion, as shown in Figure 16. Over the 10 years from 2020 to 2030, consumer spending across households is expected to grow at an average of 3.3% year-on-year, before slowing down to 2.9% growth between 2030 and 2040.

In the five years since the last report was completed, the increase in consumer spending forecasts has risen only marginally, as shown in Figure 17. However, the forecast gap shrinks further along the forecast horizon.

Figure 17: Comparison of consumer spending attributable to households affected by dementia, £ millions



Source: Cebr analysis

4 Conclusions

This report highlights that dementia will continue to have a substantial impact on English businesses. As shown by our estimates of the economic impacts, the costs to English businesses have increased since the 2014 report. We have updated the cost to English businesses from workers retiring due to dementia and caring responsibilities, as well as the value of consumer spending at risk. The report also explores new areas such as assessing the productivity loss faced by carers in the workplace. The phenomenon of presenteeism is often overlooked and while better understanding of its impact is forthcoming, our analysis indicates that businesses have a lot to gain by implementing measures to address it.

As with the 2014 report, we find that people living with dementia make an important economic contribution to the UK economy as part of the labour force. The skills and experience they have amassed mean their exit from the UK labour market will have a significant impact on businesses, especially as business will face difficulties in replicating the same knowledge when they hire replacement employees.

The importance of people living with dementia to the wider economy is not just limited to their direct involvement in the labour market. Spending remains important for people living with dementia and businesses could face high costs if they fail in supporting consumers living with dementia in the future. Efforts to develop knowledge and understanding of dementia will continue to help mitigate the costs to businesses across England identified in the report.

5 Methodological appendix

The cost to businesses of time taken to care for those with dementia

In this study, Cebr used data from the 2018/19 Survey of Adult Carers in England (SACE), a biennial report published by the NHS' Social Care Team, to establish trends in the number of carers in England. Carers are defined as those who have extra responsibilities of looking after someone who has a long-term health concern, disability, or problem related to old age, or who requires assistance with the activities of daily living. In this context, a carer is an unpaid individual caring for others in an informal setting, excluding those providing care in a professional capacity, such as in a care home or hospital. The definition also excludes those volunteering as carers for a charity or organisation.

The methodology to quantify the business costs of caring uses data on hours per week spent caring, and the number of carers who adjusted their hours worked, derived from the SACE survey. This is expanded to include those carers who decide to quit employment altogether due to the pressure of their caring commitments. Median salaries from the Annual Survey of Earnings and Hours (ASHE) based on their gender are used to estimate the total cost to businesses. The proportion of carers who will be in employment is not expected to change substantially and relatively few are between the ages of 65 and 69, and so the employment status of relatively few carers will be affected by increases in the state pension age over the coming years.

In addition to this, we analyse how carers' health has been affected by providing care to those living with dementia. While it is often clear that providing care is time-consuming and can result in reduced hours at work, the mental and physical impact on carers is not always widely understood or acknowledged. This means trying to balance caring with work can have a negative impact on productivity in the workplace, even when working the same hours.

We identify those carers who say that caring has resulted in: 'Feeling tired', 'Feeling depressed', 'Disturbed sleep', 'General feeling of stress', 'Developing own health conditions' and 'Making an existing condition worse'. These symptoms are increasingly being recognised as having an impact on productivity at work and make 'presenteeism' a growing problem for businesses. While the data quantifying how each of these symptoms impacts productivity is sparse, we use estimates that indicate a 1.9% reduction in output as a result of feeling tired at work to estimate the additional costs to business. This is likely to be a conservative assumption in the absence of more research quantifying the effects of various forms of ill health on productivity.

The number of future carers in England is forecast assuming a constant ratio of carers to people living with dementia. We use our in-house forecast of growth in earnings to estimate the overall cost to businesses arising from the impact of caring on carers in the labour force.

The cost to business of workers lost to dementia

While there is scope for individuals with dementia to continue contributing to the workforce, particularly where businesses are willing to make adaptations, over time those working with dementia will eventually need to retire. With little way to retain the skills and knowledge these employees have amassed over years or even decades, businesses face significant loss from their withdrawal from the workforce.

The methodology used to quantify the business costs of early retirement uses employment rate data for different age bands as provided by the ONS. This, along with the prevalence rate of dementia, allows us to calculate the total number of workers with dementia in the labour force. Median salaries of workers, taken from ASHE, based on their age are then used to estimate the total cost to businesses.

We use the Cebr forecasts of population rate growth and dementia prevalence in order to estimate the number of people in the labour force working with dementia over time. The loss of skills from the workforce is then valued at the average annual earnings, again using Cebr forecasts of earnings growth.

The value of spending by households affected by dementia

We quantify the value of spending by households in which someone is living with dementia, and the amount that is at risk if businesses lose their custom. The methodology used to quantify this spending uses data from the Office for National Statistics Family Spending Survey data which is segmented by age band. The number of households affected with dementia is calculated using the prevalence rates by age group.

The future value of expenditure by households is estimated using Cebr forecasts of consumer spending, while the proportion of households expected to be affected by dementia is calculated using existing dementia prevalence rates.