

CARERS look after family, partners or friends in need of help because they are ill, frail or have a disability. The care they provide is unpaid.

Security in retirement: towards a new pensions system

**Carers UK response to the White Paper
September 2006**

1. Who we are

- 1.1 Carers UK is the voice of carers i.e. people who provide unpaid care by looking after an ill, frail or disabled family member, friend or partner. Carers give so much to society yet they experience ill health, poverty and discrimination because they provide care. Carers UK campaigns to end this injustice.
- 1.2 We were set up by carers to improve carers' lives. We do this by campaigning, raising awareness of carers' needs through research and experience, providing information and training professionals. To this day carers run the organisation and decide what needs to be done. Carers UK will continue to campaign until people recognise the true value of carers' contribution to society and carers get the practical, financial and emotional support they need.
- 1.3 As well as an individual membership, Carers UK also has a membership of Associates, made up of local carers organisations, local authorities, etc. Through this wider network we are in touch with around 450,000 carers. We run a specialist information and advice service, Carersline, which advises around 20,000 carers every year.
- 1.4 Key facts about carers:
 - There are six million carers in the UK.
 - Every year over 2.3 million people begin a caring role, and a similar number finish caring¹.
 - 4 million carers are of working age, 3 million of whom combine care and work².
 - 3 out of 5 people will be carers at some point in their lives. Half of these carers are still caring five years later.
 - The number of carers is set to grow from 6 million to 9 million in the next 30 years³.
 - The vast majority of carers (80%) are of working age⁴, meaning that gaps in employment records, decreasing earnings due to care and health problems caused by caring⁵. which then becomes a barrier to work, all affect pension provision.
 - Many give up work to care, and many more will reduce hours – with part time working having a long term impact on earning ability⁶. It is not enough to ask carers to save to avoid poverty in retirement.

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CARERS UK

- There is a gendered aspect to care and pensioner poverty. Women in their 40's are the age/sex group cited to be least likely to be contributing to a private pension. Given that the peak age of caring is between 45 and 64⁷, when one in four people provide care, it is clear that caring responsibilities and inadequate pension provision a part of a lifecycle that connects to childcare and other barriers to pension provision that women face.

2. Main issues

- 2.1 Carers UK welcomes the Pensions White Paper, *Security in retirement: towards a new pensions system*, with its increased emphasis on the value of caring, and the steps it takes to increase flexibility and provision for the UK's 6 million carers. We recognise the effort that the government has made to build a consensus on these issues, and support the bulk of the recommendations.
- 2.2 Our main concern is that the carer credit should work effectively, and cover as many carers as possible. We also believe it to be vital that the reforms work in a joined up way. Carers lead complex lives, and it is vital that they are not penalised for moving in and out of work when seeking to combine work and care.
- 2.3 We know that carers often miss out on benefits, including Pension Credit, because the system is complex and people are often not aware of what they are entitled to. Across the UK Carers are missing out on an estimated £746 million in unclaimed benefits⁸. Any changes would have to increase simplicity in the pension system if they are to achieve success.

3. Encouraging and Enabling private pension saving – Chapter 1

- 3.1 As in paragraph 1.11 of the White Paper, Carers UK recognises the importance of encouraging saving for retirement, especially for those groups who are less likely to prioritise saving for themselves because of pressing current priorities, including carers.
- 3.2 Carers UK supports the principle of the introduction of a National Pensions Savings Scheme (NPSS) which is outlined in paragraph 1.46. An affordable, easy to access savings vehicle is vital for carers who may be moving in and out of work. Any future NPSS would need to be administered in a way that ensured the transition from NPSS to carer credit was seamless when carers moved in and out of work.
- 3.3 Carers UK welcomes the emphasis on easy portability of NPSS accounts, and believes that the scheme would be more effective if carers had access to saving in the NPSS when not contributing through work, either because they are caring full time or earning below the Lower Earnings Limit. This would give them the opportunity to maintain their pension provision in the simplest possible way, using one savings vehicle.
- 3.4 Carers UK recognises the value of automatic enrolment into the NPSS. Carers juggling busy lives are likely to be amongst those who defer decisions about pension

provision, and automatic enrolment means that these people are less likely to face a retirement without savings. It is vital that increased transparency and predictability come with automatic enrolment. Many calls to our telephone information and advice service, Carersline, are from people who are angry because a lifetime of saving has left them very little better off than they would have been on means tested benefits. NPSS must be structured or ensure that people reap the full benefits of responsible saving. Low paid workers especially need full information about the return they will get for their saving, to enable them to make responsible decisions. It is particularly important that there is clarity in terms of understanding how pensions savings made will be calculated in terms of means tested benefits. It may be that the future helpline for carers, announced in the *Our Health, Our Care, Our Say* White Paper, will be a useful resource for carers seeking information about pension provision.

- 3.5 It is important that 100% of any pension contributions are disregarded when calculating whether someone has exceeded the earnings limit for Carer's Allowance.
- 3.6 It is also vital that the problem of multiple jobs under the Lower Earnings Limit is resolved. This is a fundamental injustice that has an impact on the lives of anyone, including carers, who juggle their multiple responsibilities.

4. Strengthening existing provision - Chapter Two

- 4.1 Carers UK welcomes the proposals to simplify existing pension provision. It is often not clear to carers what they will be entitled to in retirement, and any increase in clarity is to be welcomed.
- 4.2 Information provision is particularly important. We support the Equal Opportunities Commission suggestion that the P60 could be used to ensure that people are aware of what savings they have and what they will receive in retirement as a result. If this is not practical then at the very least letters written to individuals to inform them to gaps in their records should inform them in plain English of the existence of the carer credit, and who is eligible for it.

5. Providing a foundation for private saving – Chapter 3

- 5.1 Carers UK recognises the demographic challenge that the government describes. An ageing population will provide additional challenges to society. We estimate that 3 million more carers will be needed over the next thirty years at the same time as the need of the workforce for skilled employees is also increasing⁹. An ageing population not only means that there is a smaller proportion of working age, it also means that a substantial number of those people will have caring responsibilities that will affect their ability to earn.
- 5.2 We welcome the government's stated aim in paragraph 3.3 of preventing an increase in the number of pensioners on means tested benefits. Our members often find they reach retirement and are reliant on means tested benefits, which do not reflect for them the significant contribution they have made to society. Callers to

Carersline express their anger that they are still doing the same work they did before retirement, and still making that contribution to society, with no recognition.

- 5.3 We particularly welcome the government's recognition of the need to ensure that carers have fair and adequate pension provision. It should be noted that the figures cited in the White Paper, taken from the Family Resources Survey, are based on the numbers of all carers, not just those caring for people who are on specific benefits. Therefore of the 120,000 people caring for 20 or more hours a week, who the government recognises are not currently building pension provision and who face significant barriers to work, a significant number will still not be covered by the carer credit, as reflected by the prediction that only 70,000 carers will be covered. In other words, 50,000 carers would not be covered which naturally causes us concern it will leave a significant number of carers in poverty in retirement. We have dealt with the issue in more depth in paragraph 7.3 below.
- 5.4 We support the reduction in the number of years needed to qualify for the state pension. This will directly benefit more people with caring responsibilities. We also support the abolition of the Labour Market Attachment test. This will give more carers the opportunity to claim the pension that they should always have been entitled to.
- 5.5 Carers UK has always welcomed and recognised the benefit of a State Second Pension. The State Second Pension and NPSS must be designed to work together, so a carer moving in and out of work has entitlement moved seamlessly from one to the other.
- 5.6 We would like to see provision for carers built into the NPSS, so that government contributes for carers during periods when they are not able or barely able to save. This would help to defeat carer poverty and would create good savings habits, as people would be aware of the need to save for themselves when they were able to.
- 5.7 Carers UK welcomes the restoration of the earnings link for the Basic State Pension, as it will mean that more carers will be lifted off means tested benefits. During our consultations with carers, older carers in particular have recommended that government raise the level of the Basic State Pension. It will also ensure that carers and other pensioners do not become poorer relative to the rest of society as earnings grow, but prices rises remain small. It is positive to have a more certain foundation for pension planning. Carers value a certain entitlement to a decent pension, as it is a better reflection of the years they have spent contributing to society than being on means tested benefits.
- 5.8 It must be noted that caring has a major impact on health, and that provision for people who are not able to work because of ill health must be adequate. It is critical that this new policy on pensions, in relation to carers, fits seamlessly with the welfare reform policies. Carers UK recommends that a strand of the review of the National Carers Strategy, as promised in the recent health White Paper, deals with this issue.

- 5.9 Carers UK welcomes the recognition of the need for further integration of the tax and benefits regime. Any review of tax credits and benefits should include a review of the situation of carers, who have complex lives that are likely to include periods in and out of work, and engagement with different parts of the benefit system.
- 5.10 Carers in particular face barriers to work because of the earnings limit on Carer's Allowance and the lack of any tax credit provision, set at 16 hours of work, to ensure that work pays. Carers UK would welcome a review of this situation.

6. Existing barriers to carers pension provision

- 6.1 A study by Carers UK found that the proportions of carers giving up work to care rose with age where eight out of ten carers providing substantial care and aged 56 to 60 had given up work to care - a crucial time in terms of pensions provision, particularly if the carer is part of a final salary scheme or takes their occupational pension early¹⁰.
- 6.2 The impact of providing substantial care, therefore, is to reduce a carer's ability to work, their disposable income and their capital. These all affect an individual's ability to contribute to a pension, whether state or private.
- 6.3 Incomes in retirement from state and private pensions are lower for those caring for someone in their own household, a group who are likely to be providing higher amounts of care. Retired women carers are particularly likely to be in the lowest pensioner income band. Those who have provided a substantial amount of care earlier in their lives also face lower incomes in retirement than those not involved in caring. This study was based on longitudinal data taken from the British Household Panel Survey.
- 6.4 In one study by Carers UK, around 8 out of 10 carers providing substantial care said that their finances have been affected by caring. The main reason given by carers was the additional costs of disability (64%) followed by having to give up work to care (58%). After 5 years of providing substantial care, carers were significantly more likely to be in receipt of Income Support¹¹.
- 6.5 A study in 1996 asked carers providing substantial care to estimate how much income they had lost as a result of caring and this averaged £9,500 per year. This did not take into account the long term impact on pension income¹².

6.6 Disincentives in benefit rules

Repeatedly evidence demonstrates that employment is the best route to ending poverty and improving pension provision, and Carers UK's surveys demonstrate that the majority of working age carers would work if it were possible for them to do so. A major barrier to work is benefit rules which act as a disincentive to work and training. If carers earn over £84 per week after deductions, they lose 100% of the main carer's benefit, Carer's Allowance. Two solutions are possible, either by introducing a taper, or by a tax credit that sets the work hours at 16 hours per week rather than the 30 currently demanded for those over 25 without a disability.

The 21 hour study rule, which means that you lose your benefits if you are studying for more than 21 hours a week, also makes it difficult for carers to re-skill without losing Carer's Allowance, and therefore a significant proportion of their income and with it their automatic pension protection.

6.7 Ill-Health

Analysis of the 2001 Census indicates that those caring 50 or more hours per week are twice as likely to report poor health as non-carers¹³. These health problems could impact on the ability of some carers to continue in employment and to move back into employment once their caring responsibilities have ended. It is difficult to know how many carers are not working because of health problems caused by caring, as many are likely to be on Incapacity Benefit rather than Carer's Allowance.

6.8 Services

Evidence from the Action for Carers and Employment Project (ACE National), led by Carers UK, ¹⁴ demonstrates that even when personal barriers to employment carers may face – lack of skills after time out of employment to care, lack of confidence – if services are not good enough, the carer will not be able to work. If the bus taking your disabled child to the day centre is late, or the person visiting you to help you get your father up is unreliable, you will have no choice, your caring responsibility will come first and you will not be able to work. ACE National is now working to developing new ways of delivering services to carers to enable them to work.

7. The proposals for carer credit

- 7.1 The transference of Home Responsibilities Protection into a positive credit is very welcome. It will, for example, do more to enable the parents of disabled children to be covered and to be passported to other entitlements. It is important that the new credit applies to the parents of disabled children up to the age of 18, as these parents will continue to need financial support.
- 7.2 Carers UK warmly welcomes the carer credit, and its recognition of the importance of carers and their right to decent pension provision. We are naturally delighted that the government is keen to plug gaps in carers' pension provisions and the plans will make a difference.
- 7.3 However, we are concerned, as we set out in paragraph 5.3 above, that, by Government estimates around 50,000 carers will not be covered by the current plans for the carer credit, if they are caring for over 20 hours per week. We are concerned that the current definition of the carer credit as being limited to people caring for those with severe disabilities is too narrow. There will be carers whose caring responsibilities affect their ability to earn and therefore to build up a pension who will not be covered under this definition. We welcome the government's openness on consulting on ways to make the implementation of the carer credit as effective as possible. We believe that the carer credit is a major opportunity to achieve a step towards a reduction in pensioner poverty due to periods spent caring, and hope that government will take the opportunity to ensure that the credit is used to provide provision for the maximum possible number of carers.

- 7.4 In brief, there are a number of intricacies and difficulties with the current benefits system that would make it difficult for a carer to qualify for the carer credit. They include:
- a large difference in the level of disability between the lower rate of DLA and the middle rate care component
 - disabled and older people who chose not to claim AA or DLA, but then disentitle the carer to Carer's Allowance
 - disabled and older people who suffer from mental illness and significantly less likely to receive DLA
 - where DLA or AA is stopped because of prolonged or linked periods in hospital
- 7.5 This will be an especially significant challenge of the entitlement to the carer credit is linked to disability benefits. An application for Disability Living Allowance (DLA) will only be successful if the applicant demonstrates fulfilment of eligibility criteria for three months. Attendance Allowance (AA) is only awarded after the person has been eligible for six months. It is unacceptable that a carers pension entitlement could lapse during this time, if they have had to give up work, but the person they care for will not get disability benefits for three or six months, possibly for much longer. Even if the entitlement could be backdated to the beginning of the qualification period, if the benefit is refused carers will be left with a significant period of time with no pension cover, which they could not have predicted.
- 7.6 It is often especially difficult for people with mental health problems to claim middle and higher rate DLA, partly because mood swings, depression or other symptoms of mental illness may reduce the chances of their claiming at all, and partly because a fluctuating condition makes it more difficult to claim a higher rate allowance. The carers of people with mental health problems still need their pension provision to be covered.
- 7.7 Bearing in mind these issues, Carers UK would welcome a review of DLA and how it operates. Often people on lower rate DLA do have significant care needs which are not reflected in the benefits system, undermining their entitlement to other rights, including Carers Allowance and now Carer Credit.

8. Alternative eligibility criteria

- 8.1 We would suggest that carers of people on lower rate DLA and carers in a family where there is someone on Incapacity Benefit should be considered for coverage. This is especially important because flaws in the system of decision making for DLA claimants may mean that there are people caring for 20 hours a week where the person they are caring for has been wrongly refused the middle or higher rate DLA. There will also be carers where the friend or relative they care for will not apply for benefits for their own reasons – possibly because they are fiercely independent and do not want to be dependent on government benefits, possibly because the claim form is deeply intrusive and many people will choose not to fill it in. It is wrong that

in this situation the decisions of the cared for are allowed to have an impact on the ability of the carer to take up their rights.

- 8.2 We would also suggest that a better means of certifying carers would be to have a standard form that could be signed by a professional such as a social worker or a GP, to state they have good reason to believe that the relevant person was caring for 20 hours a week or more. The fact that the credit is for people caring for 20 hours a week, rather than full time carers, will mean that the government will need to consider a range of methods in terms of implementing the credit, to ensure that carers do not miss out. Given the number of carers across the country who are currently missing out e.g. 20 hours per week, this would work out at just over one carer per GP.
- 8.3 The route of having a healthcare or social worker to certify you as a carer would seem especially useful to ensure that carers do not have gaps in their pensions records whilst the person they are caring for is waiting for their benefits to be awarded. Allowing carers caring for people who are not on middle rate DLA or AA makes it easier for carers to plan.
- 8.4 A further reason for having the GP or another certified professional help with entitlement is that DLA and AA is reduced following a period in hospital. However, when caring for someone with a severe or complex disability, health care staff often rely on the carer for communication, feeding, and, at times, moving the patient about. Parents of severely disabled children will often spend long periods visiting hospital and spending a great deal of time with the child at the hospital, making it impossible to work. According to benefit rules, their child's DLA will be stopped, the parent would lose their Carer's Allowance. They would also not be able to apply for Home Responsibilities Protection, because the person being cared for was in hospital. Mencap has also carried out research to show the degree to which hospitals rely on families of people with learning disabilities to provide care, even whilst in hospital. These are precisely the people who provide round the clock care who would miss out under the current provisions set out by Government, yet who are the ones who most need the recognition and support.
- 8.5 One of the reasons that carers are becoming increasingly important is demographic change. Much of the predicted increase in the number of carers is based on the assumption that our ageing population means that more people will be in need of care. The flaw in basing the carer credit on Attendance Allowance is that to receive Attendance Allowance a person needs to be in need of continuous care, either all day or all night, and can only get AA once they have been in need of this care for six months. Therefore a carer caring for someone for 20 hours a week, or with needs equivalent to a non retired person on middle rate DLA, will not be entitled to the carer credit. This leaves out a major and increasing tranche of the carers this reform was designed to deliver for.
- 8.6 We would also suggest that the 20 hours a week is averaged out over a regular cycle, rather than needing to be exactly 20 hours every week, in order to provide for

those carers of people with conditions that fluctuate, including mental health, arthritis, Parkinson's Disease and others.

- 8.7 Finally, we would recommend that the definition of a year used in the legislation leaves room for a few weeks that are not covered for contributions in the way that HRP works. In other words, as long as the carer qualifies for 48 weeks of the year, the contribution is counted as one year. Carers UK feels that this would be a sensible and practical way to proceed.
- 8.8 We warmly welcome the government's suggestion that a person will be able to have a mixed contribution year of both paid and credits from government. One woman caring for her child near Bristol demonstrates how this would help. She had a low paid job during term time but during the holidays, she gave up her temp work and looked after her severely disabled son. Her NI contributions were never enough to qualify for a whole year. Again, she would be helped by this new rule with mixed contributions.
- 8.9 In brief, Carers UK feels that it is vitally important that the carer credit is available to all carers, not just those caring for immediate family members or people they live with.
- 8.10 We would welcome a pledge of a review of the carer credit and NPSS, once they have been in place for three years, to gain further understanding of what flexibility is needed for carers, as they move between work and care.
- 8.11 Carers UK recognises that the Adult Dependents Addition is outdated, and reflects a past way of life, but believes that it is important that solid transitional arrangements are put in place to ensure that pensioners are left in poverty.

9. Extending working life in an ageing society – Chapter 4

- 9.1 It must be recognised that if these plans are to be effective, the wider impact of an ageing population must be recognised – we will need an extra 3 million carers over the next 30 years, 9 million in total. Carers UK welcomes aspirations to do more to enable people to make choices about working longer. However, if the state pension age is to increase and measures are put in place to encourage people to work for longer, it has to be recognised there will also be an increased number of people combining work and carer. Policies will therefore be needed to support these people so that they can continue to provide care whilst remaining in the labour market.

10. Issues not covered in the White Paper

- 10.1 Of course, one of the issues not covered in the paper, is that of the overlapping benefit rule; Carer's Allowance and the Basic State Pension. Government is aware, as we know from the volume of letters and correspondence it receives from carers, that those over pension age are both frustrated by the method of applying for Carer's Allowance and being turned down for it, and the fact that they cannot receive both Carer's Allowance and the pension.

10.2 We therefore urge government on a practical level to look at streamlining the way that older carers apply for the benefit. Not only would this help carers, but it would also help all those in the advice world and in government departments, who spend a long time trying to explain the complexity of the rules. The recent National Audit Office (NAO) report highlighted this as a priority for change.

10.3 The area, however, carers most want to see changed is recognition when the overlapping benefit rule hits them. Carers UK has long recommended this as an area for review and for change. We believe that the review of the National Carers Strategy provides an ideal platform for which to review this area of benefits which carers feel so strongly about.

11. Conclusion

11.1 Carers UK therefore welcomes the provisions in the White Paper where we feel able to comment. We consider that it sets out a bold new vision in which more carers will be supported to build up pension entitlement. We warmly welcome the government's aspiration to support as many carers as possible.

11.2 Our main focus of attention is naturally the carer credit, which we believe needs to be amended to ensure that government reaches its goal of better coverage of pension provision for carers. Whilst some of those solutions might be to tackle the fundamentals of the disability benefits themselves, including AA and DLA, we also believe that there are a number of practical solutions that can be adopted, mainly through an alternative certification system.

11.3 Carers UK looks forward to working with government to deliver a better outcome for carers.

September 2006

References

- ¹ It Could Be You. A report on the chances of becoming a carer, Carers UK, London, 2001
- ² Office of National Statistics, Census, 2001
- ³ It Could be You. A report on the chances of becoming a carer, Carers UK, London, 2001
- ⁴ Office of National Statistics, Census, 2001
- ⁵ Census 2001 found that over 225,000 people who provided more than 50 hours of unpaid care a week said they were in "not good health" themselves. More than half the people providing this much care were over 55.
- ⁶ http://www.eoc.org.uk/PDF/flexible_working_interim_report.pdf
- ⁷ Census 2001, op cit
- ⁸ Caring and pensioner poverty: A report on older carers, employment and benefits, Carers UK, London, 2005
- ⁹ It could be you. ibid
- ¹⁰ *Caring on the Breadline, op cit*
- ¹¹ *Caring on the Breadline: the financial implications of caring*, (2000) Carers National Association (now Carers UK)
- ¹² *The True Cost of Caring, a survey of carers' lost income*, (1996) Caring Costs, published by Carers National Association (now Carers UK).
- ¹³ In Poor Health: the impact of caring on health, Carers UK, London, 2004
- ¹⁴ www.acecarers.org.uk