

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.

Pensions: Challenges and Choices

Carers UK's response to the first report of the Pensions Commission

England, Wales, Northern Ireland and Scotland

January 2005

About Carers UK

- 1.1 Carers UK is the leading organisation representing the views and interests of the six million carers in the UK who care for their frail, disabled or chronically ill partners, relatives or friends. Carers UK is an organisation of carers, run by carers, for carers. We have a membership of carers and over 100 Branches, run by carers, throughout the UK. Carers UK have offices in Northern Ireland, Scotland and Wales and a UK office in London.
- 1.2 We provide information and advice to carers and professionals on benefits, rights and entitlements and receive 50,000 enquiries every year. We also have an advocacy project in London and run other projects such as Action for Carers and Employment, seeking to make a difference for carers who wish to return to or remain in employment.
- 1.3 Carers UK is a campaigning organisation and has been since it was established nearly 40 years ago. We continue to seek change for carers so that they are able to access the same opportunities in life as others. We aim to raise awareness of carers' issues and seek changes in the law and practical support to prevent carers from poverty, having their health and well-being affected by caring and by not having a choice about whether or not to take on a caring role.
- 1.4 Our response is therefore based on our rights-based approach to work, our information and advice queries and our views and experiences of our membership.

About Carers

- 2.1 There are six million carers in the UK. Every year over 2.3 million people begin a caring role, and a similar number finish caring.(1) The result is a break in people's employment record and consequently their pension contribution. A substantial number of both men and women provide care, altogether there are 3.4 million female carers and 2.5 million male carers.

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CARERS UK

Male carers are, however, more likely to be in full-time work than females. Over half of male carers, 1.25 million, work full-time, compared to just one in four female carers, 850,000.

3. Proposals regarding the Commission Balance of responses to the demographic challenge described in Chapters 1 and 2

- 3.1 Carers UK welcomes the opportunity to respond to the Commission's first report and welcomes such an important in-depth analysis of pensions.
- 3.2 Carers UK is not in a position to recommend which of the four options put forward by the Commission we most favour. However, we have commented on some of the implications the options suggested by the Commission in the light of carers' experiences.
- 3.3 We have also responded to selected questions and issues raised by the report. Caring has an important relationship with pensions since caring affects an individual's ability to work, their amount of disposable income and their ability to contribute to a pension – whether state or private.
- 3.4 Caring also has an important economic bearing on the pensions debate as the value of their support is estimated at around £57 billion per year, equivalent spending to a second NHS at the time.(2) This far outstrips spending on care for disabled people by private or state means. Although there is an expectation that care will continue to be provided by relatives and friends, worries about pension incomes may deter people from caring, and any such change in the balance of care would have important economic implications.

4. Demographic challenge of caring

- 4.1 The well-researched demographic challenge set out in the report misses an important aspect – the future challenge faced by individuals who provide care to elderly, sick or disabled relatives, partners and friends.
- 4.2 Work commissioned by Carers UK found that the current probability of providing care of at least 20 hours per week is around 3 in 5 people at some point in their lives.(3) This is based on our current population characteristics i.e. a population of around six million carers and a population of around 8 million disabled people.(4) Every year, one third of carers start caring and one third cease. Half of these carers are still caring after 5 years.(5)

- 4.3 There are roughly 3 million carers of working age combining work – whether part or full time – with care.(6) Analysing Census statistics, Carers UK estimates that there are approximately 1.8 million carers who are of working age who are not in work.
- 4.4 Carers’ propensity to care is dependent on many factors – the supply side of services – how good, affordable they are, etc., the relative health of the population and the opportunity costs of caring. One unpublished study commissioned by Carers UK found that propensity to care was also affected by family size, social class, whether religion was regularly practised, etc.(7) However, studies have also consistently shown that the vast majority of carers do not believe that they have a choice about caring but wish to continue out of a sense of love and duty.
- 4.5 Some work, such as the Royal Commission Report on Long Term Care, has suggested that people are less likely to provide care in the future. Although this is possible, it is equally dependent on many factors, which, in combination, make this difficult to predict. The trends are not straightforward. Over the last 15 years, the number of carers providing more substantial care, i.e. 20 hours or more per week, have risen from 1.5 million in 1990, to 1.7 million in 1995 to 1.9 million in 2000.(8) The Census indicates that a staggering 1.25 million individuals are providing over 50 hours care per week.
- 4.6 By 2037, unless the population’s health improves or care services are expanded, there could be pressure on 3.4 million more people to become carers.(9) Currently around 12% of workforce combine work with caring for an elderly, sick or disabled relative or friend. Given that the peak age of caring is between 45 and 64,(10) when one in four people provide care, it is likely that carers and work will become an increasingly important issue as the demographic profile shifts in the future.
- 4.7 The implications of this demographic challenge could be significant in terms of the pensions debate and individuals’ ability to contribute towards a pension. The following sections set out how caring impacts on pensions and the relationship between caring and work. It is vital that any debate on demographics and pensions must incorporate caring for relatives, partners and friends. Carers UK would be happy to work with the Commission on this aspect of the pensions debate.

5. Carers and pensions, evidence of impact of caring

- 5.1 A key piece of work modelling the longer term impact of caring has found that 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.(11)

- 5.2 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 Support.(12)
- 5.3 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. The relationship between caring and work

- 6.1 Providing substantial amounts of care affects a person's ability to work or return to work and this has a direct bearing on their ability to provide for income in retirement. A recent representative poll found that one in five carers had given up work to care. Carers either reduce their working hours or give up work altogether.(13) 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 early.(14)
- 6.2 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 income.(15)
- 6.3 Once carers give up work altogether, research shows that they can easily become entrenched in worklessness. This is true for carers who are still caring and for those who are no longer caring. Evidence from Carers UK's Action for Carers and Employment project confirm earlier studies that the majority of carers who provide substantial care and who have to give up work experience a significant loss of personal confidence and feel that their skills have quickly become outdated. This is often due to the isolation of caring, the period of time spent out of the labour market and the constant focus on another person's needs. Again, this impacts on carers ability to build up a pension in retirement.

- 6.4 Analysis of the 2001 Census also indicates that those caring 50 or more hours per week are twice as likely to report poor health as non-carers. 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.
- 6.5 Groups who are particularly vulnerable include parents of disabled children whose caring commitment can last a lifetime, and partners of people with disabilities, where there may be nobody in the household in paid employment.
- 6.6 A variety of strategies are needed to ensure that carers are able to remain in work for as long as possible or to return to work when their caring role ends. Some of these options are cost neutral, others require investment by Government and all require recognition of the challenges facing carers.

Case study

John had a well paid job at an insurance company. His wife started to become forgetful and was diagnosed with Alzheimer's Disease. He changed his work pattern to work in a less senior position but remaining closer to home and in full-time work. As his wife became increasingly ill with Alzheimer's Disease, he had to give up work to care full-time, at the age of 52. John cared for a total of ten years, as his wife's condition declined. John's wife died last year, since when John has been unable to find work as he 'lacks recent experience' or is simply 'too old'. Having survived for over ten years on benefits and his own savings, John has not been able to save for his pension. John is now in receipt of Income Support. He is of working age.

7. Different Options proposed by the Commission

Pensioners income falling relative to the rest of the population

- 7.1 In a recent consultation with carers, pensions were a key issue for them and, in particular, how the state had recognised all the years that they spent caring. Carers UK does not believe it would be acceptable to allow pensioners income to fall relative to the rest of the population.

Raising the retirement age

- 7.2 As discussed in the paragraphs above – raising the retirement age is one solution. Carers UK is neither in favour not against this solution. However, this option must be considered against the demographic situation of caring and the potential personal cost to carers. Raising the pension age would make it harder for carers to receive an adequate pension, because they are much more likely to be caring up until their 70th year, and consequently less likely to be in work. If raising the retirement

age is considered as an option, then several solutions are needed to ensure that carers are not disadvantaged and their incomes do not fall relative to other groups. These include:

- * Basing NI credits on weekly contributions, as the report suggests. Carers UK would also recommend that carers are able to have a mixed record of both paid and credited NI contributions in order to make up a full year. The ability to have Home Responsibilities Protection paid on a weekly basis, as the report suggests, with easier qualifying conditions would also help. This would help carers who lose a few weeks Carer's Allowance in the year due to exceeding the earnings limit for the benefit or because the person they care for has exceeded the number of days away from home (known as the 28 day linking rule). The problem with HRP, as the Commission knows, is that it is little understood as a means to protect pensions. Carers UK has worked with the Department for Work and Pensions to raise awareness of the role of HRP for carers, but awareness remains low. The other problem is that we have no way of knowing how many individuals are missing out on HRP.
- * Ensuring that carers are more able to combine work and care – in particular – removing financial disincentives to the labour market. One significant barrier is the fact that if carers earn over £79 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. However, it is often the lack of suitable alternative care services that forces the carer to leave work.
- * From carers' point of view, the ability to stay in work remains the best option for their short and long term financial situations. Some employers are already recognising the current impact that caring has on employees. Employers for Carers, a group of employers that includes British Gas and BT, have seen increased staff retention and productivity gains as a result of introducing new policies to support carers. Supportive employers are keen to retain staff in an employment market where it is difficult and expensive to recruit well-trained and dedicated staff. This will become an increasingly important issue as the demographics of the population changes. Carers UK has welcomed the Government's pledge to look at extending the right to request flexible working to carers. This is an important part of the debate on pensions as our evidence of working with carers has shown that it makes a significant difference to some carers being able to remain longer in employment.
- * The development of care services that fit around people's lives, in particular fitting in with their employment. Currently care services are not developed with the carers' employment in mind and this both contributes

to carers having no choice but to give up work and finding it harder, if not impossible, to return to work later on in the caring episode. Carers UK has secured further funding from the European Social Fund to develop a new Action for Carers and Employment project – this time looking at the development of care services which support carers currently in or who wish to return to work. This will become an increasingly important issue in the context of demographic change with a larger elderly population in relation to a smaller working population.

Increase in savings/assets

7.3 One of the difficulties with this particular solution is that, without other policies being implemented, it poses significant challenges to carers. Evidence from carers is that they spend down their savings to pay for care. Others have taken occupational pensions early and have unwittingly ended up with much lower incomes and lasting poverty in retirement. If this option is pursued then Government needs to ensure that the solutions outlined below are followed in order to ensure that carers are not substantially disadvantaged.

Higher Taxes or National Insurance Contributions

7.4 This would spread the risk of pensions across different sectors of the population. This would have implications for some carers whose incomes are stretched to the limit by paying for the costs of care, but it would spread risk.

8. Other questions:

How far should Government or society in general provide support or leave it to individuals?

8.1 The statistics and evidence show that caring is unpredictable. When a partner is diagnosed with a degenerative condition, a parent has a sudden stroke or an adult child has a care accident it can have devastating consequences for an individual's income, health, well-being and quality of life. Leaving pension provision to individuals will significantly disadvantage those who are less able to contribute to pensions because of significant caring responsibilities. There are strong economic and moral arguments for ensuring that there is a balance between the two.

8.2 As already mentioned, the relationship between caring and pensions is not an issue that has been explored in much depth. The impact of having children is much better understood. Similar work also needs to be carried out to understand the full impact of caring combined with other elements of a carer's life that are taken for granted; childcare, illness, a period of worklessness, etc.

Does means-testing put people off saving?

8.3 Carers UK has no evidence to show whether means-testing has put carers off saving. However, as already mentioned, the substantial costs of disability often mean that they end up on means-tested benefits, having spent down savings to pay for the additional costs of disability.

Has the Pensions Commission correctly defined the groups of people likely to be inadequately provided for and those likely to be well provided for?

8.4 Although the Pensions Commission report mentions carers as part of the chapter on women and pensions, Carers UK would warmly welcome further consideration of carers and separating them out as a different group. Whilst it is true that caring tends to compound women's already worse pension situation, 42% of carers are men, and there are nearly 2 million male carers of working age. Considering carers as a separate group would have the added benefit of identifying the need for analysis of the cost benefits of the proposals identified under 7.2.

8.5 Not all carers will find that their retirement income is affected but those who would be particularly vulnerable would include:

- * long term carers providing substantial care over many years, particularly those caring for disabled children or partners
- * carers aged 50 and above who give up work to care
- * those who have gaps in their pension records already

9. Solutions and Conclusions

9.1 In terms of pensions, caring needs to be separated out from childcare as a different but potentially significant impact on the ability of a person to provide a pension in retirement. It also needs to be part of any debate on the demographic challenge and considered alongside providing and funding long term care.

9.2 Different solutions are needed to help individuals in the short and longer term and these include:

- * plugging the gaps in the current pension system – such as basing a contribution record on weekly NI contributions and making HRP easier to claim
- * ensuring that caring is seen as an important part of the demographic debate around work, provision of pensions, etc.
- * removing benefits traps to help make work pay for carers
- * improving care support so that it is more flexible and affordable, tailored for those carers who wish to continue working or return to work

- * greater investment in alternative care for disabled people and carers
- * extending to carers the right to request flexible working
- * encouraging more employers to recognise carers within their workforce
- * greater awareness of how decisions about service provision can affect carers' ability to work and consequently their pensions entitlements.

References

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