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Carer's Allowance and the Retirement Pension

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Summary

Carer's Allowance is an "income replacement" benefit for people who are unable to work because they are caring full-time for a disabled person. Since 2002, Carer's Allowance has been payable to people aged 65 or over, but it cannot be paid in addition to the Retirement Pension. This is because of the "overlapping benefits" rule. Although an entitlement to both benefits can mean that Carer's Allowance is not payable, for lower income pensioners an "underlying entitlement" to Carer's Allowance can give access to carer additions to means tested benefits such as Pension Credit. For other pensioners however, a claim for Carer's Allowance may result in them receiving no additional financial support.

Neither the Coalition Government, nor the 2015 Government, said that they had any plans to review the overlapping benefits rule as it affects people entitled to both Carer's Allowance and the Retirement Pension. The previous Labour Government hinted however that it accepted in principle that there should be some recognition in the benefits system of the extra costs faced by carers because of their caring responsibilities. This might have benefited carers over pension age affected by the overlapping benefits rule, by allowing them to keep a portion of their Carer's Allowance in addition to their Retirement Pension. However, the Labour Government set out no clear timetable for reforming carers' benefits, saying instead that it intended to look at support for carers as part of its longer-term plans for welfare reform. By the time of the 2010 General election, no further proposals for reform of carers' benefits had been put forward.

This note explains the overlapping benefits rule as it affects carers over pension age, and the rationale behind it. It then looks at the Labour Government's position on carers' benefits and at how reforms might have affected those caught by the overlapping benefits rule.

The Coalition Government's position, and statements from Ministers in the 2015 Government, are covered at the end.

Further information on benefits for carers is given in Library briefing SN00846, [Carer's Allowance](#). Library briefing CBP-7756, [Carers](#), provides information about the number of carers in the UK and the issues they face. It also covers the rights, benefits and support available to carers and Government policy on caring.

1. Carer's Allowance and the overlapping benefits rule

Cash benefits for carers consist of:

- **Carer's Allowance**, currently worth £62.70 a week (2017-18 rates)
- **The carer premium/addition** payable with means-tested benefits such as Income Support, Pension Credit, and Housing Benefit. It is payable to those who satisfy the conditions for Carer's Allowance, and is currently £34.95 a week¹

People who make a claim for Carer's Allowance are often unhappy to find that it is withdrawn if they are also entitled to a state pension. This is due to the "overlapping benefits rule". In 2017-18, around 367,000 people over State Pension in Great Britain are expected to satisfy the care conditions for Carer's Allowance, but only around 18,000 will actually receive the benefit.²

The overlapping benefits rule does not only apply to people eligible for both Carer's Allowance and the Retirement Pension. Carer's Allowance cannot be paid in full if an individual could also get any of the following benefits:

- Retirement Pension
- Incapacity Benefit
- contributory Employment and Support Allowance
- Severe Disablement Allowance
- Contribution-based Jobseeker's Allowance
- Widow's Pension/Bereavement Allowance
- Widowed Mother's/Parent's Allowance
- Maternity Allowance
- Unemployability Supplement paid with Industrial Injuries Disablement Benefit or War Pension
- Training allowances.³

If the amount of the above benefits is less than the amount of Carer's Allowance, then the difference is made up.

The rationale for these provisions is that Carer's Allowance is paid to provide income for a person unable to work because of their caring responsibilities. It cannot therefore be paid in addition to any of the other income maintenance benefits listed above. To do so would be

¹ A "carer element" worth £151.89 a month (2017-18) may also be included in a Universal Credit award. UC is replacing means-tested benefits for people of working age, but it will not affect those over the qualifying age for Pension Credit

² [DWP Benefit Expenditure and Caseload Tables: Spring 2017 Budget](#)

³ The overlapping benefits rule also applies where a person would be entitled to any combination of these benefits; it does not only apply to people eligible for Carer's Allowance

against the long-standing feature of the social security system that "double provision should not be made for the same contingency".⁴

A DWP memorandum in 2008 explained the rationale for the overlapping benefits rule as follows:

Carer's Allowance is not a "carer's wage" or a reward for caring. It is one of a number of income-maintenance benefits, including State Pension, Incapacity Benefit, contribution-based Jobseeker's Allowance, Widows and Bereavement Benefits and Maternity Allowance.

State Pension, for example, replaces income in retirement. Carer's Allowance replaces income where the carer is retired or has given up the opportunity to engage in full-time work in order to care for a severely disabled person. In both cases the need is the same even though the person qualifies for two different benefits. Hence the overlapping benefit rule operates to prevent both benefits being paid in full at the same time.⁵

Before April 2003, Carer's Allowance was known as Invalid Care Allowance (ICA). ICA was added to the *Overlapping Benefits Regulations* when the benefit was introduced in 1976.⁶ The policy is therefore a long-standing one. It has nevertheless caused considerable anger amongst carers, many of who are unaware of the provision until they draw their Retirement Pensions. A 1991 Department for Social Security Research Report on ICA noted the strength of feeling about the provision. It stated that lack of previous knowledge contributed to this. However, it added:

Carers' incomprehension and sense of injustice about this issue was also caused by a lack of 'fit' between what carers thought to be the purpose of ICA and the rationale behind overlapping benefit provisions. Those affected by overlapping benefits regulations shared with other carers a perception of ICA as a 'payment' for caring and/or equivalent to benefits such as attendance allowance or mobility allowance.⁷

In its 2008 inquiry on *Valuing and Supporting Carers*, the Work and Pensions Committee observed:

150. Carerwatch and Age Concern, among others, state that carers who have previously been entitled to Carer's Allowance and find that it is 'removed' when they reach State Pension age can experience distress and anger; this can happen after decades of caring for a sick or disabled relative has prevented them from making pension provisions that would ensure that they did not experience an impoverished old age. [Ev 128; Ev 111] The National Family Care Network stressed that "People are often still providing regular and substantial care well into their 90s and are not able to 'retire'." [Ev 116]

⁴ National Insurance Advisory Committee, *Report on overlapping benefit regulations*, HC 36 1948/49

⁵ DWP, *Carer's Allowance and overlapping benefits*, supplementary memorandum submitted to the Work and Pensions Committee inquiry on Valuing and Supporting Carers, HC 485-II 2007-08, Ev 169

⁶ Regulation 3 *Social Security (Overlapping Benefits) Regulations* SI 1975/554

⁷ *Social Security and Community Care: the case of the Invalid Care Allowance*, Eithne McLaughlin, DSS Research Report No 4, 1991, p 42

The issue of the overlapping benefits rule has been raised in Parliament many times. The following written answer sets out the previous Labour Government's position:

Mr. David Stewart: To ask the Secretary of State for Work and Pensions if he will review the rules which prevent payment of carer's allowance and retirement pension at the same time. [204523]

Maria Eagle: Carer's allowance, (previously invalid care allowance), has always been subject to the overlapping benefits rules which put into effect one of the principles of the social security system that only one benefit at a time can be paid for the same purpose.

The reason why carer's allowance and state pension overlap is that they are both directed at providing a benefit for those whose circumstances typically mean that a traditional source of income is no longer available. Carer's allowance replaces income where the carer is over working age or has to give up the chance of working to look after a severely disabled person; state pension replaces income in retirement.

Although an entitlement to both benefits will mean that carer's allowance is not payable, or not payable in full, an underlying entitlement to carer's allowance gives access to the carer premium in housing benefit and council tax benefit and the additional amount for carers in state pension credit.

We continue to look at ways of helping both carers and the elderly, although we have no immediate plans to change these arrangements.⁸

1.1 Underlying entitlement and extra amounts with means-tested benefits

As the PQ states, people over pension age may still benefit from claiming the Carer's Allowance even though they may not actually receive the Allowance because they are already getting the Retirement Pension. This is because an "underlying entitlement" to Carer's Allowance means that they are eligible for an addition to means-tested benefits such as Pension Credit and Housing Benefit. Means-tested benefits are however affected by income and capital, so better off pensioners who are also carers may not get any additional help.

Section 7 of Age UK's [factsheet on Carer's Allowance](#) explains further how an underlying entitlement to Carer's Allowance can enable a person to qualify for higher rates of means-tested benefits. It gives the following example:

Olive is 65 and has an income of £159.80 a week, from State Pension (£120.00) and private pension (£39.80). She does not qualify for Pension Credit as her income is more than £159.35 – the basic Pension Credit level. Olive cares for her mother who gets Attendance Allowance. She applies for CA but only gets an underlying entitlement because her State Pension is more than the rate of CA, £62.70 a week. As she has the CA entitlement, her overall Pension Credit entitlement is now £194.30 a week – the basic rate of £159.35 plus a carer addition of £34.95. This means

⁸ HC Deb 13 December 2004 c850w

she is now entitled to Pension Credit of £34.50 a week to bring her income up to the Pension Credit rate.

A further example of how an underlying entitlement to Carer's Allowance can be of benefit to an older couple getting Pension Credit is given on [p11 of the Carers UK factsheet on Carer's Allowance](#).

Although only around 18,000 people over State Pension age are receiving Carer's Allowance in Great Britain, many more will qualify for the carer's addition in Pension Credit. At May 2014, 219,000 people in Great Britain qualified for the carer's addition in Pension Credit.⁹

⁹ DWP, [Pension Credit: Supporting Information: Information on Pension Credit customers: receipt of additional amounts and Assessed Income Periods](#), ad hoc analysis, February 2015

2. Reform of carers' benefits: the Labour Government's position

On 29 August 2008 the Work and Pensions Committee published a report, [Valuing and supporting carers \(HC 485 2007-08\)](#) which looked at support for carers in detail. The report argued that the current system of benefits for carers was outdated and recommended the introduction of two distinctive "tiers" of support for carers, offering: (i) income replacement support for carers unable to work, or working only part-time; and (ii) compensation for the additional costs of caring for all carers in intensive caring roles:

198. We endorse the commitment in the 2008 Carers Strategy to review carers' benefits as part of a wider process of welfare reform. We believe that this review should be guided by the principles that carers who are not able to work due to their caring responsibilities should be entitled to an income replacement benefit comparable to other income replacement benefits; and that an additional payment should recognise the additional costs of caring for one or more people.

199. We ask DWP to give urgent and detailed consideration to replacing Carer's Allowance with a two-tiered benefit for carers, and cost our proposals as soon as possible. They would operate as follows:

- Carer Support Allowance, to be paid at the same rate as Jobseekers' Allowance, with the opportunity to earn a modest amount in a paid job (offering reasonable consistency with CA and in line with the permitted earnings rules). As this will be an income replacement benefit we do not think it should be payable in addition to other income replacement benefits; however we do not believe it is necessary, or desirable, to 'means-test' Carer Support Allowance, as carers entitled to receive it will need to be fully occupied by their caring role (for at least 35 hours per week).
- Caring Costs Payment, available to all carers in intensive caring roles (35+ hours per week, consistent with existing Carer's Allowance), but payable also to those over State Pension age, to compensate them for the additional costs of caring, and/or to enable them to buy in some help, goods or services to ease their caring situation. We recommend that CCP should be set at a level commensurate with other parallel payments in the UK social protection system (such as Child Benefit); this would make it likely that CCP could be set somewhere between £25 (£1,300 p.a.) and £50 per week (£2,600 p.a.).¹⁰

Further background to this proposal can be found in [paras 188-197 of the Committee's report](#).

Moving towards a system of carers' benefits that recognised the extra costs incurred by carers, as well as the need for "income replacement", could benefit pensioners affected by the overlapping benefits rule, by

¹⁰ Original emphasis

allowing them to keep a portion of their benefit (the caring costs payment) in addition to their Retirement Pension.

In its [response to the Committee's report](#) in December 2008 the Labour Government accepted the general principle put forward by the Committee that a future system of support for carers should differentiate between income replacement and the extra costs faced by carers. However, it gave no specific timetable, saying that any changes would be looked at as part of its wider welfare reform programme:

51. The Department accepts the Committee's general principle that a future system of support for carers should be able to differentiate between the support that a carer needs because they have no income, and the support that a carer needs because of other costs relating to the caring responsibilities. In the *White Paper Raising expectations and increasing support - reforming welfare for the future* the Department says that it will explore whether a single benefit would be a good way to provide a more adaptive system of support. The needs and circumstances of carers will play a key part in the consideration of options for streamlining the benefit system.

52. But it would not be right to undertake any review of carers' benefits in isolation. Many of the difficulties that carers experience arise from the interactions between different benefits and interactions with different aspects of the wider welfare system.

53. The Government said in *Carers at the heart of 21st century families and communities* that it would be important to look at carers' benefits in the context of wider welfare reform. It remains committed to doing this and recognises the importance of taking a joined-up approach to looking at the future of carers' benefits - across the Department for Work and Pensions and across Government.

In its July 2009 report on *Tackling Pensioner Poverty*, the Work and Pensions Committee reiterated its call for a "Caring Costs Payment" for all carers, including those over State Pension age, to compensate for the extra costs they faced, or to allow them to buy in some help. It recommended that it should be set at between £20 and £50 a week.¹¹

In its response published in October 2009, the Government said:

104. The Government has committed, as part of the National Carers Strategy to a long term review of carer benefits within the context of wider welfare reform and the fundamental review of the care and support system. It is acknowledged that a system of carers' benefits must be created that is able to provide support where it is most needed and that can adapt to the wide range of needs that carers have, including those of older carers. An extra Caring Costs Payment is one of many reform options to consider as part of this review.¹²

¹¹ HC 411-I 2008-09, para 209

¹² HC 1029 2008-09

3. The Coalition Government's position

A written answer in September 2011 said that the Coalition Government had no plans to amend the overlapping benefits rule as it applied to pensioners eligible for Carer's Allowance:

Chris Evans: To ask the Secretary of State for Work and Pensions whether he plans to amend the overlapping benefit rules which prevent simultaneous payment of carer's allowance and retirement pension. [71401]

Steve Webb: We have no plans to do so.

Carer's allowance has always been subject to the overlapping benefits rules which ensure that only one benefit at a time can be paid for the same purpose.

Carer's allowance and state pension overlap because they both provide a replacement income. Carer's allowance provides a measure of financial support for people who forgo the opportunity of full-time employment in order to care for a severely disabled person. State pension replaces income in retirement.

Although an entitlement to both benefits will mean that carer's allowance is not payable, or not payable in full, an underlying entitlement to carer's allowance gives access to the carer premium, currently £31, in housing benefit and council tax benefit and an additional amount at the same rate in pension credit.¹³

In response to a PQ in April 2013 on whether the Government would introduce a carer's supplement to the basic State Pension, the then Economic Secretary to the Treasury, Sajid Javid said:

The Government recognise that unpaid carers provide invaluable support to people in some of the most vulnerable circumstances in society, and as such we have announced that carer's allowance will continue to exist as a separate benefit. While we continually keep benefits under review, there are no plans to introduce a carer's supplement to the basic state pension.¹⁴

The Coalition Government made no specific announcements on reform of Carer's Allowance and its welfare reform programme included no significant changes to carers' benefits – Carer's Allowance will remain outside Universal Credit, for example. The *Welfare Reform Act 2012* did however contain a provision to remove the "anomaly" whereby people need to make a claim for Carer's Allowance in order to receive the carer's addition in Pension Credit, even though they would not receive Carer's Allowance itself because of the overlapping benefits rule.¹⁵

The cost of abolishing the overlapping benefits rule completely for people eligible for both Carer's Allowance and the Retirement Pension would be considerable. A written answer on 23 January 2012

¹³ HC Deb 13 September 2011 c1061w

¹⁴ HC Deb 24 April 2013 c1022w

¹⁵ Section 74 *Welfare Reform Act 2012*. See [Library Research Paper 11/23](#) p73 for background

estimated that the cost would be around £800 million, not taking into account the effect of any increase in take-up of Carer's Allowance as a result of the change:

Andrea Leadsom: To ask the Secretary of State for Work and Pensions if he will estimate the cost to his Department of continuing to pay carer's allowance to those carers in receipt of a state pension. [90951]

Steve Webb [*holding answer 20 January 2012*]: The overlapping benefits rule means that a person cannot be paid carer's allowance while receiving the same amount or more from an income maintenance benefit such as state pension.

The estimated cost of removing this rule, after adjusting for the offset in pension credit would be around £800 million⁽¹⁾. This estimate does not include additional costs from carers over pension age who would choose to apply for carer's allowance if the overlapping benefits rule did not apply. These additional costs are likely to be significant but cannot be quantified.

(1) *Source:*

DWP Information Directorate: Work and Pensions Longitudinal Study, May 2011.¹⁶

In addition, abolishing the overlapping benefits rules for pensioners alone could lead to calls to abolish the rule as it affects other groups of claimants.

4. The 2015 Government's position

As the following written answer from 27 April 2017 indicates, the 2015 Government upheld the principle behind the overlapping benefits rule as it applies to people satisfying the conditions for both Carer's Allowance and the Retirement Pension:

Carer's Allowance: Written question - 71855

Asked by [Tracy Brabin](#) (Batley and Spen)

Asked on: 25 April 2017

To ask the Secretary of State for Work and Pensions, whether he plans to make carer's allowance available to carers in receipt of a state pension.

Answered by: [Richard Harrington](#)

Answered on: 27 April 2017

Where a carer's State Pension is less than Carer's Allowance, State Pension is paid and topped up with Carer's Allowance to the basic weekly rate of Carer's Allowance, which is currently £62.70 a week.

However, where the State Pension paid is higher than £62.70, social security rules operate to prevent Carer's Allowance and State Pension being paid together, since they are designed to meet the same need i.e. to help maintain income. Paying both benefits together would represent duplicate provision. The relevant legislation is The Social Security (Overlapping Benefits) Regulations 1979 (regulation 4), which can be found at http://www.legislation.gov.uk/ukxi/1979/597/pdfs/ukxi_19790597_290216_en.pdf

Where Carer's Allowance cannot be paid, the person will keep underlying entitlement to the benefit. This gives access to the additional amount for carers in Pension Credit, worth up to £34.95 a week, and even if a pensioner's income is above the limit for Pension Credit, he or she may still be able to receive Housing Benefit.

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