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BRIEFING PAPER

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Carer's Allowance

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Summary

Carer's Allowance – formerly Invalid Care Allowance – is a non-contributory, non-means-tested benefit paid to people who care full-time for someone who is severely disabled. To be entitled to Carer's Allowance, a person must be providing at least 35 hours of care a week for someone in receipt of a qualifying disability benefit, not be in full-time education, and, if in paid work, have earnings after certain deductions of no more than £123 a week.

Entitlement to Carer's Allowance also acts as a "passport" to the carer premiums/additions in means-tested benefits such as Income Support, Pension Credit and Housing Benefit.

At February 2019 there were 868,000 recipients of Carer's Allowance in Great Britain. Total expenditure on Carer's Allowance in 2019-20 is forecast to be £2.98 billion.

Issues frequently raised in relation to Carer's Allowance include:

- The level of Carer's Allowance (£66.15 a week in 2019-20; £67.25 a week from April 2019) when compared with other "income replacement" benefits
- Problems faced by people seeking to study or do paid work while claiming Carer's Allowance
- The fact that Carer's Allowance cannot be paid in addition to certain other state benefits, including the Retirement Pension

The interaction with other benefits is covered in more detail in a separate Commons Library briefing, Carer's Allowance and the Retirement Pension.

The last Labour Government gave an undertaking to consider reform of carers' benefits – including Carer's Allowance – as part of its wider welfare reform programme, but did not put forward any proposals by the time of the 2010 General Election.

No significant changes have been made to Carer's Allowance by UK governments since 2010. Means-tested support for carers of working age will be subsumed within Universal Credit, but Carer's Allowance will remain a separate benefit.

The *Scotland Act 2016* devolved responsibility for disability and carers' benefits to the Scottish Parliament. The Scottish Government has introduced a Young Carer Grant worth £300 a year, and a Carer's Allowance Supplement. From winter 2021, Carer's Assistance will begin to replace Carer's Allowance in Scotland, although initially this will mirror Carer's Allowance plus the supplement. The Scottish Government intends to consult on longer term changes to the benefit in 2021.

Further information on the number of people providing unpaid care in the UK and their contribution, on carers' incomes, health and wellbeing, and on Government policy more generally can be found in the Commons Library briefing Carers.

1. Introduction

Carer's Allowance – known as Invalid Care Allowance (ICA) before April 2003 – was introduced in 1976.[1] It followed the 1974 White Paper *Social Security Provision for Chronically Sick and Disabled People* which stated that there was "a strong case for the provision of a non-contributory benefit of right" to be payable to carers of sick and disabled people.[3] The new benefit was intended to "provide a measure of income maintenance for a man or single woman who had forgone the opportunity of full-time employment in order to care for a severely disabled relative."[4] Entitlement was later extended to married women and to people caring for non-relatives.

Carer's Allowance is payable to people caring "regularly and substantially" for a person in receipt of a qualifying disability benefit. Eligibility is not dependent on a claimant's National Insurance contribution record (i.e. it is non-contributory) or a claimant having limited income and capital (i.e. it is non-means-tested). The 2019-20 rate is £66.15 a week, and from April 2020 it will increase to £67.25. Those receiving Carer's Allowance are credited with Class 1 National Insurance contributions. In line with other "income replacement" benefits, Carer's Allowance is taxable.

At February 2019 there were 868,000 recipients of Carer's Allowance in Great Britain, of whom 73 per cent were women.[5] Total expenditure in 2019-20 is forecast to be £2.98 billion.[7]

Research commissioned by the Department for Work and Pensions in 2010 concluded that measuring the take-up of Carer's Allowance – the proportion of those who would be entitled to the benefit who actually claim it – was especially difficult because of the "immense complexity" of the benefit rules, which were "arcane" even by the standards of the social security system. Analysis of the Family Resources Survey suggested a take-up rate of around 65% for the core group of within-household carers not affected by overlapping benefits (see section 3.1 below), but measurement error meant that this was probably an under-estimate.[9]

Carers may also (depending on their household's income and/or capital) be entitled to means-tested benefits such as Income Support, Pension Credit and Housing Benefit. Carer's Allowance acts as a "passport" to the carer premium/addition in means-tested benefits, currently worth £36.85 a week (£37.50 from April 2020). The premium, which was introduced in 1990, is intended to "focus help on those who have limited opportunity to gain income from work because of caring

1 Section 37 *Social Security Act 1975*, now consolidated in section 70 of the *Social Security Contributions and Benefits Act 1992*

3 DHSS, HC 276 para 42

4 DWP, Attendance Allowance, Disability Living Allowance and Carer's Allowance: Retrospective equality impact assessment, September 2010, paras 2.8

5 DWP Stat-Xplore

7 DWP Benefit expenditure and caseload tables: Spring Statement 2019

9 Richard Berthoud, The take-up of Carer's Allowance: A feasibility study, DWP Working Paper No 84, 2010

responsibilities, and who do not gain from entitlement to [Carer's Allowance] because it is taken fully into account in the calculation of income related benefit entitlement."[10] Without such a premium/addition, people on means-tested benefits who are also eligible for Carer's Allowance would see no gain because it would reduce the amount of benefit they receive pound for pound.

With very limited exceptions, it is now no longer possible for people of working age to make new claims for means-tested "legacy" benefits including Income Support and Housing Benefit. Universal Credit (UC) must be claimed instead. UC includes a carer element, currently worth £160.20 a month (£162.92 a month from April 2020). It is payable to people who satisfy the conditions for Carer's Allowance, or who would satisfy the conditions were it not for the level of their earnings.

[10] DWP, The Regulatory Reform (Invalid Care Allowance) Order 2002: Statement by the Department for Work and Pensions, 2002, para 17

2. Conditions of entitlement

To be entitled to Carer's Allowance, a person must:

- provide at least 35 hours of care a week for a severely disabled person receiving one of the following benefits:
  - the middle or highest rate Disability Living Allowance care component; or
  - Attendance Allowance (either rate); or
  - Personal Independence Payment daily living component (either rate); or
  - Constant Attendance Allowance at or above the normal maximum rate with an Industrial Injuries Disablement Benefit, or basic (full day) rate with a War Disablement Pension; or
  - Armed Forces Independence Payment[11]
- be aged at least 16 years old;
- meet residence and presence conditions;
- not be subject to immigration control;
- not be in full-time education (21 hours or more a week); and
- not be "gainfully employed." The criterion for gainful employment is having earnings of more than £123 a week, after deduction of allowable expenses.

If a person is caring for two or more people, they can only claim Carer's Allowance for looking after one of them. A carer is only allowed to receive one award of Carer's Allowance, no matter how many people they are caring for. A person cannot add together the time they spend caring for two or more people to meet the 35 hours requirement. They must show that they are caring for one person for at least 35 hours a week.

Until 2002 Carer's Allowance could not be claimed by those aged 65 or over, although it remained payable to those who were eligible immediately prior to their 65th birthday. From October 2002 however the upper age limit for claiming Carer's Allowance was abolished.

2.1 Changes announced in October 2002

The previous Labour Government undertook a review of Invalid Care Allowance (as it was then known) as part of the follow-up work to the 1999 National Carers Strategy.[12] On 3 October 2000 Alistair Darling, the then Secretary of State for Social Security, announced £191 million of extra financial help for carers as a result of the review. The package of measures comprised:

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[11] The DWP states that "Using the award of these benefits as a proxy for substantial care needs avoids making a separate assessment for Carer's Allowance purposes" (DWP, Attendance Allowance, Disability Living Allowance and Carer's Allowance: Retrospective equality impact assessment, September 2010, para 2.9)

[12] Department of Health, Caring about Carers: a National Strategy for Carers, February 1999

- a £2 per week increase to the carer premium paid with means-tested benefits such as Income Support;
- carers would be able to claim ICA for the first time after 65;
- an increase in the earnings limit for ICA from £50 to the level of the Lower Earnings Limit (LEL) for National Insurance, and a commitment that this would rise in line with the LEL; and
- continued payment of ICA for up to 8 weeks after the death of the person being cared for.[14]

The Carers National Association (which became Carers UK in 2001) described itself as "delighted" with the changes announced on 3 October 2000. In a press release it stated:

> CNA is pleased that carers are getting greater recognition. The new measures will make a significant change to the lives of many carers. We are particularly pleased that resources are going to the poorest and oldest carers. Although the £2 increase in the carer premium is of great importance, we will continue our campaign to ensure that the carer premium is doubled and that all carers are recognised for the enormous contribution they make to society.[15]

In the event, in the benefits uprating statement on 9 November 2000 Alistair Darling announced that the carer premium would be increased by £10 on top of normal uprating.[16] The increase to the carer premium and the earnings limit for ICA took effect from April 2001.

The abolition of the age limit for new claims and the extension of ICA for 8 weeks after the death of the person being cared for required changes to primary legislation. The Government achieved this through an order under the *Regulatory Reform Act 2001*.[17] As part of the consultation process required under this Act the Department for Work and Pensions published a consultation paper in July 2001 on *Changes to Invalid Care Allowance*. The *Regulatory Reform (Carer's Allowance) Order 2002* was laid on 29 May 2002.[20] This also provided that from April 2003 ICA would be known as Carer's Allowance. The abolition of the age limit and the 8 week "run-on" came into effect on 28 October 2002.

2.2 Introduction of Personal Independence Payment

Personal Independence Payment (PIP) is replacing Disability Living Allowance for people of working age – including for existing DLA claimants – and will therefore eventually become the main route by which a carer of a working age disabled person qualifies for Carer's Allowance. Carer's Allowance is payable if the person being cared for receives the middle or higher rate DLA care component. Under PIP, receipt of the "daily living" component – at either the "standard" or the "enhanced" rate – by the disabled person acts as the passport to Carer's Allowance.

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14 DSS press release 2000/277, 3 October 2000
15 CNA press release 3 October 2000
16 DSS press release 2000/325, 9 November 2000
17 House of Lords Deposited Paper HDEP 2001/012, 21 December 2000
20 *The Regulatory Reform (Carers' Allowance) Order 2002*; SI 2002/1457

PIP was introduced for new claims across Great Britain from June 2013, but for most working-age DLA claimants reassessment for PIP did not begin until July 2015. The reassessment programme is not expected to be completed until some point in 2020-21.[23]

The PIP assessment was intended to provide "a more holistic assessment of the impact of a health condition on an individual's ability to participate in everyday life" and differs from that used to determine eligibility for the DLA care components. The introduction of PIP will therefore have a knock-on effect for some recipients of Carer's Allowance, if the person they care for is receiving DLA and, on reassessment for PIP, is found not to satisfy the conditions for the PIP daily living component.[24] A DWP Impact Assessment on PIP published in May 2012 stated:

> We expect that the introduction of Personal Independence Payment will not affect the overall size of the Carer's Allowance population or the level of expenditure on the benefit. However, as Personal Independence Payment will be a new benefit with different entitlement conditions, we would expect some shifts in the DLA caseload as claimants are migrated over to the new system. This would in turn, affect those who have an entitlement to Carer's Allowance.[25]

PIP was intended to target support more closely on those most in need and significantly fewer people were expected to qualify for PIP than would have qualified for DLA, but the Office for Budget Responsibility has shown that PIP will not in fact deliver savings relative to DLA. In its January 2019 Welfare trends report, the OBR observed that while the Coalition Government assumed initially that PIP would ultimately cost 20% less than DLA would have done, by 2017-18 it was in fact costing around 15-20% more, with rollout only around two-thirds complete.[26]

Statistics on outcomes from DLA to PIP reassessments in Great Britain up to the end of October 2019 were released by the DWP in December 2019. Of the 842,000 DLA claimants getting the middle or higher rate DLA care component, 197,000 (23%) were not awarded the PIP daily living component on reassessment. However, nearly twice as many not previously getting middle or higher rate DLA care – 379,000 – were on reassessment found to satisfy the conditions for the PIP daily living component.[27] The number of adults in Great Britain receiving either the middle or highest rate DLA care component, or the PIP daily living component, increased from 1.6 million in May 2013 to 2.7 million in May 2019.[28]

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[23] Office for Budget Responsibility, Welfare trends report, January 2019, p10
[24] See DWP, What PIP means for carers, December 2018
[25] DWP, Disability Living Allowance reform (Personal Independence Payment) impact assessment, 15 May 2012, para 26
[26] OBR, Welfare trends report, January 2019, p13
[27] DWP, Stat-Xplore. Figures are for reassessed DLA claimants with a known outcome
[28] DWP, Stat-Xplore
[30] DWP Benefit expenditure and caseload tables: Spring Statement 2019

3. Issues

Issues frequently raised in relation to Carer’s Allowance in recent years include the fact that Carer’s Allowance cannot be paid in addition to the Retirement Pension (and certain other benefits), and the amount of benefit payable in comparison with other income replacement benefits. The difficulties carers face combining their caring duties with paid work or studying are also a frequent source of complaint.

Debate on these issues often takes place within the context of the wider issue of whether Carer’s Allowance should remain an income replacement benefit, or whether it should be intended to cover additional costs that carers incur.

3.1 Overlapping benefits rule

Prior to 28 October 2002, Carer’s Allowance (or Invalid Care Allowance, as it was then known) could only be paid to a carer over the age of 65 if they were entitled to it immediately before they reached that age. In its response to the Labour Government's 1998 Green Paper on welfare reform, Age Concern said that older carers were “angry that they receive no financial support in recognition of the important role they play.”[31]

Following the Labour Government’s subsequent review of ICA (see above), the upper age limit for new claims was abolished. This was expected to extend a new entitlement to 40,000 carers.[32]

Many pensioners were, and new claimants above State Pension age still are, unhappy to discover that Carer’s Allowance cannot be paid because they are in receipt of the State Retirement Pension. This is due to the “overlapping benefits rule”. The rule applies not only to people eligible for Carer’s Allowance and the Retirement Pension, but to people who would satisfy the conditions for more than one non-means-tested “income replacement” benefit. Income replacement benefits also include contributory Employment and Support Allowance, contribution-based Jobseeker’s Allowance, and Widowed Parent’s Allowance.

If a person eligible for Carer’s Allowance is also in receipt of another overlapping income replacement benefit, they will not be paid any Carer’s Allowance if the other benefit is paid at an equivalent or higher rate. If the other benefit 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 replacement benefits. To do so would be against the

31 Age Concern's comments on the Green Paper on Welfare Reform, New ambitions for our country: a new contract for welfare, Age Concern Briefings Ref: 1698

32 DWP press release, Caring for our carers is key, 17 December 2001

long-standing feature of the social security system that "double provision should not be made for the same contingency".[33]

In 2019-20, the DWP expects that of the 305,000 people over State Pension age found to satisfy the care conditions for Carer's Allowance, only around 9,000 will actually receive the benefit.[34]

People over State Pension age may however still benefit from claiming Carer's Allowance even though they may not actually receive it because they are already getting the Retirement Pension. This is because an "underlying entitlement" to Carer's Allowance means that they are eligible for the carer premium/addition in means-tested benefits such as Pension Credit and Housing Benefit. At May 2019, 178,600 people on Pension Credit in Great Britain had an entitlement to Carer's Allowance and so qualified for the carer addition.[35]

Better off pensioners with income and/or capital that puts then above the threshold for means-tested support will not however receive additional income if they are caring for someone.

report by ge and arers , alking the ightrope, noted that receiving no financial recognition for the work they do – either because of the overlapping benefits rule or having earnings above the limit for arer's llowance – caused many older carers a "sense of profound grievance". his is particularly so for carers in receipt of substantially lower pensions overall, as a result of having to give up work to care. he report recommended that the overnment review arer's llowance and consider how the contribution of older carers not receiving the benefit can be recognised.

Further information on the overlapping benefits rule, on the Labour Government's statements regarding possible reform, and on the 2010 Government's position, is given in a separate Library briefing, Carer's Allowance and the Retirement Pension.

3.2 Amount of benefit

Carer's Allowance is currently £66.15 a week (2019-20 rate[41]). This is a lower weekly rate than most other income replacement benefits, for example:

Contribution-based Jobseeker's Allowance (aged 25 or over) £73.10

Contributory ESA (main phase; Work-Related Activity Group) £73.10

Contributory ESA (main phase; Support Group) £116.15

Full Category A Retirement Pension £129.20

New State Pension (full rate) £168.60

Carers' organisations have long argued that the amount of Carer's Allowance payable to carers is insufficient to meet its stated purpose of providing a replacement income for those who give up work to look after a disabled person.[42] To appreciate why Carer's Allowance is set at the level it is, it is necessary to consider the origins of the benefit.

33 National Insurance Advisory Committee, Report on overlapping benefit regulations, HC 36 1948/49
34 DWP Benefit expenditure and caseload tables: Spring Statement 2019
35 DWP Stat-xplore benefit combinations dataset
40 Age UK and Carers UK, Walking the Tightrope: The challenges of combining work and care in later life, July 2016
41 From April 2020 it will increase to £67.25 a week
42 It is perhaps significant that in PQs and in other statements successive governments have said that Carer's Allowance provides "**a measure** of income-maintenance" to carers; see for example HC Deb 27 March 2007 c1502

Invalid Care Allowance was introduced following the 1974 White Paper *Social Security Provision for Chronically Sick and Disabled People* which stated that there was "a strong case for the provision of a non-contributory benefit of right" to be payable to carers of sick and disabled people.[43] Eligibility for Carer's Allowance not dependent on a claimant's National Insurance contribution record. Carer's Allowance is intended to provide income for a person unable to do paid work because of their caring responsibilities; it is not a payment for care provided or a "carer's wage."[44]

ICA was introduced with a range of other new non-contributory benefits, including the Non-Contributory Invalidity Pension.[45] These were all set at a rate of 60% of contributory long-term benefit rates. This relationship has been roughly maintained with Carer's Allowance now being paid at 59% of long-term Incapacity Benefit.

The 1974 White Paper which proposed the new non-contributory benefits gives further clues as to why they were set at such a low level. In setting out the case for the Non-Contributory Invalidity Pension for sick or disabled people who were excluded from the National Insurance system because they lacked a contribution record, the Government said:

> It is for this group of people, deprived of both their normal role in the community and of the normal rights that go with that role, that pressure is strongest for a non-means-tested benefit to confer the very important psychological advantage of membership of the national insurance community.[46]

The White Paper went on to argue that it was

> …palpably wrong to deny altogether basic benefit as of right to people who because of severe disablement have not been able to establish themselves as contributors in the insurance scheme.[47]

Joan Brown, in her 1984 study of *The Disability Income System*, commented however that[48]

> …a justification based on the right to a basic non-means tested benefit did not in the government proposals extend to equality with the National Insurance recipients or to a benefit level which would remove the need for means tested supplementation where the benefit formed the sole or virtually the only income. The government paper first asserted that the case for a benefit for this group 'would not be weakened by the fact that, if they were granted a new non-means tested benefit, some of them (the numbers would depend on the level of the benefit) would still be unable to manage without recourse to supplementary benefit' (*Social Security Provision for Chronically Sick and Disabled People,* p18). Further on in a statement which harked back to Beveridge's views on the necessity to give non-contributors (on National

43 DHSS, HC 276 para 42
44 HC Deb 18 November 2004 c1867W
45 The Non-Contributory Invalidity Pension was replaced in 1984 by Severe Disablement Allowance which, in turn, was replaced by non-contributory Incapacity Benefit for new claims from April 2001; and ESA in youth from October 2008. The Coalition Government abolished non-contributory ESA in youth for new claims from 1 May 2012
46 HC 276 p13
47 Ibid. p18
48 p216

> Assistance) a less desirable benefit than the insurance benefit ('otherwise the insured persons get nothing for their contributions'), the paper stated:
>
> > …it would be inconsistent with the maintenance of the insurance base of that scheme (National Insurance) and inequitable in comparison with the treatment of those already over pension age – particularly those who have no or reduced pensions and are just as disabled as those under pension age – to pay non-contributory invalidity benefit at the full contributory rates to people under pension age (*ibid.*, p18)

In other words, the lower rate was thought necessary in order to maintain the integrity of the National Insurance system. Similar considerations appear to have informed decisions about the level of the Invalid Care Allowance. Looking back at the introduction of ICA, Joan Brown commented:

> The decision to make the benefit non-contributory was based on the need 'to include the few who have been at work as well as the many more who have had to give up a paid job' (*Social Security Provision for Chronically Sick and Disabled People,* p20). If the work had been given up for other reasons, for example, invalidity, contributors would draw the normal NI benefit to which they were entitled, instead of ICA, but of the sole reason was to meet attendance needs, then 'the many' with a contribution record on the government's reasoning would have to be levelled down to the rate of benefit considered for 'the few' with no record. Governments in any case took the view that the contingency of giving up work to meet attendance needs could not be provided for under a contributory scheme (*ibid*, p13).[49]

To summarise, therefore, it appears that Carer's Allowance is set at a lower rate than other benefits because:

- the Government in the 1970s decided that carers could not be supported by a new National Insurance benefit; and
- it was felt than non-contributory benefits should be paid at a lower rate than National Insurance benefits.

The following PQ from January 2007 suggests that this was still the official position at that time:

> **Mr. Laurence Robertson:** To ask the Secretary of State for Work and Pensions if he will take steps to increase the level of carer's allowance in line with that of *(a)* jobseekers' allowance, *(b)* income support and *(c)* incapacity benefit; and if he will make a statement. [115338]
>
> **Mrs. McGuire** *[holding answer 15 January 2007]:* The level of carer's allowance is increased in April each year in line with the annual movement in prices as measured by the retail price index, and we have no plans to change these arrangements.
>
> Unlike incapacity benefit and jobseeker's allowance (contributions-based), entitlement to carer's allowance does not depend upon the payment of national insurance contributions; hence, the level of carer's allowance has always been less than

[49] Disability Income Part 2: The Disability Income Scheme, Policy Studies Institute, 1984, p261

> other income maintenance (contributions-based) benefits such as incapacity benefit and jobseeker's allowance.
>
> Income support and income-based jobseeker's allowance are available to carers in lower-income households. They are not payable at standard rates, but are assessed on the basis of an individual's personal circumstances. Carers entitled to carer's allowance have the carer premium of £26.35 a week [£36.85 in 2019-20] included in the assessment of these benefits, and of housing benefit and council tax benefit. If they are aged 60 or over, they have the equivalent additional amount for carers included in their pension credit assessment.[50]

Other developments in the benefit system since the 1970s suggest however that governments have not always adhered closely to the general principle that non-contributory benefits should be less than contributory benefits.

The Non-Contributory Invalidity Pension was later replaced by Severe Disablement Allowance, which, in turn, was replaced in 2001 by non-contributory Incapacity Benefit for people incapacitated early in life who had not had the opportunity to build up a National Insurance record. Non-contributory IB is paid at the same rate as contributory IB. Employment and Support Allowance – which replaced Incapacity Benefit for new claims from October 2008 – also had a non-contributory version for those incapacitated in youth, which is payable at the same rate as the contributory version. As a result of measures in the *Welfare Reform Act 2012*, new claims for ESA under the "youth rules" are no longer possible and all new claimants of non-means-tested ESA must satisfy the relevant National Insurance contribution conditions.

The DWP's September 2010 *Retrospective equality impact assessment* for DLA, Attendance Allowance and Carer's Allowance said that the rate of Carer's Allowance reflected its non-contributory status, but also mentioned the more generous earnings rules for Carer's Allowance claimants and the availability of additional means-tested support:

> Carer's Allowance is paid at £53.90 (2010/11 rates) and is subject to income tax. The rate of Carer's Allowance, compared with State Pension and Incapacity Benefit/Employment and Support Allowance, reflected the fact that entitlement does not depend on payment of National Insurance Contributions - the rate was originally aligned with that of a married woman's Retirement Pension based on her husband's contributions. However, the high earnings limit, compared with most other benefits, has helped carers who want to combine their caring responsibilities with part-time employment. Additional help is also available, as described above, for carers on low incomes through the income-related benefits.[51]

The level of Carer's Allowance was raised by several organisations and individuals in evidence to the Work and Pensions Committee's 2008 inquiry on *Valuing and Supporting Carers*. The Committee's report noted:

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50 HC Deb 22 January 2007 c1508W

51 DWP, Attendance Allowance, Disability Living Allowance and Carer's Allowance: Retrospective equality impact assessment, September 2010, para 2.14

> 121. Carers UK stated that "carers are insulted by the low level of Carer's Allowance". [Ev 142] At £50.55 (from 7th April 2008; previously £48.65) it is the lowest of all income replacement benefits. Ms Batten of the National Autistic Society said: "Just to demonstrate how inadequate Carer's Allowance is, even if you did the minimum caring hours of 35 hours a week, that is equivalent to £1.44 an hour compared to a minimum wage of £5.52, which really demonstrates how we value that role. So the rate is inadequate, it sends a message to carers about how we value their role." [Q 20]
>
> 122. Most submissions argued that the purpose of Carer's Allowance is unclear as it does not provide an income sufficient to live on or prevent poverty (the poorest carers have to claim Income Support with a carer premium for an income replacement benefit), but neither is it a benefit paid in recognition of the role of carers or the costs incurred as it is not paid to all who fulfil a caring role (we address eligibility in the following sections). [Ev 65; Ev 73; Ev 163; Ev 158; Ev 152; Ev 101; Ev 128] Ms Redmond of Carers UK said "It is something that is trapped back in the Seventies as if it is a bit of pin money or something, but it is not a proper income replacement benefit. If we are talking about a flat rate income replacement benefit, it has to be of a decent level that replaces income." [Q 17][52]

The Committee did not suggest increasing Carer's Allowance by any specific amount, but it believed that Carer's Allowance as a whole was outdated and recommended that carers' benefits should be "radically overhauled at the earliest opportunity to recognise the contribution carers make and to be more flexible to reflect carers' different circumstances".[53]

In his 2010 DWP Working Paper on measuring the take-up of Carer's Allowance, Richard Berthoud summarised some of the arguments put forward in favour of increasing the rate of Carer's Allowance as follows:

> - Caring should be treated as an insurable risk, and should be paid at the same rate as other long-term insurance benefits which are currently about £95 for a single person.
> - It is argued by some organisations that carers' personal incomes are so low that they are left in poverty, and/or dependent on the incomes of the people they care for.
> - Although CA is constructed as an earnings replacement benefits, its objectives are often represented, by policy commentators and by carers themselves, as a payment in recognition of their caring role. It is argued that the social value of the work that informal carers do should be recognised in a higher rate of allowance (Carers UK, Real Change, not Short Change, 2007). This idea is often discussed in the context of the cost that would have to be borne by the state if the informal carer was not available or willing to help the disabled person (NAO, Department for Work and Pensions: supporting carers to care, 2009).[54]

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[52] HC 485-I 2007-08, 29 August 2008
[53] *Ibid.* para 125
[54] Richard Berthoud, The take-up of Carer's Allowance: A feasibility study, DWP Working Paper No 84, 2010, p2

The *Scotland Act 2016* devolved responsibility for disability and carers' benefits to the Scottish Parliament. In advance of the introduction of Carer's Assistance – which will begin to replace Carer's Allowance in Scotland from winter 2021 – the Scottish Government has introduced a Carer's Allowance Supplement raising the level of support to match Jobseeker's Allowance. Carers UK wants to see the value of Carer's Allowance in England, Wales and Northern Ireland increased by an equivalent amount. Section 8 of this briefing gives further information.

3.3 Carer's Allowance and paid work

Carer's Allowance is, formally, an "income replacement" benefit. It is intended to provide "a measure of income-maintenance" for people unable to do full-time paid work because of their caring responsibilities.[55] It is **not a payment for care provided** or a "carer's wage".

Nevertheless, the rules do allow people in receipt of Carer's Allowance to undertake some paid work. There is no limit on the number of hours of paid work a person in receipt of Carer's Allowance can do, provided they are still "regularly and substantially" caring for a disabled person. However, Carer's Allowance may not be payable if earnings exceed a certain amount in any week.

For Carer's Allowance purposes, the DWP looks at a person's earnings after tax, National Insurance and certain expenses have been deducted. GOV.UK explains:

> **Calculating your income**
>
> Expenses can include:
>
> - 50% of your pension contributions
> - equipment you need to do your job, for example specialist clothing
> - travel costs between different workplaces that are not paid for by your employer, for example fuel or train fares
> - business costs if you're self-employed, for example a computer you only use for work
>
> If you pay a carer to look after the disabled person or your children while you work, you can treat care costs that are less than or equal to 50% of your earnings as an expense. The carer must not be your spouse, partner, parent, child or sibling.
>
> **Example** You earn £100 a week (after tax, national insurance and other expenses) and spend £60 a week on care while you work. You can treat £50 of this as an expense.

Organisations still argue however that the rules make it difficult for carers to combine paid work with their caring responsibilities. A particular problem is that a person loses entitlement completely as soon

55 HC Deb 27 March 2007 c1502
57 See Appendix 1 of Chapter 60 of the DWP Decision Maker's Guide for changes to the ICA/CA earnings limit since 1976

as their earnings exceed the threshold. The "cliff edge" problem has long been a source of complaint for carers and organisations representing them.

Some argue that the Carer's Allowance earnings limit should be increased – or abolished altogether – or that a taper should be introduced, so that the benefit is reduced gradually as income exceeds the limit, rather than being removed in full. In its 2008 report *Valuing and Supporting Carers*, the Work and Pensions Committee recommended (original emphasis):

> **174. Despite recent increases to the earnings limit, its level still represents a major barrier for carers to combine work and care, and/or progress in employment. We recommend that the Department urgently commissions and publishes a thorough analysis of the costs and benefits of increasing the earnings limit and introducing a taper.**
>
> **175. The different timetable for Carer's Allowance earnings limit uprating and the uprating of the National Minimum Wage is still a cause of great anxiety for claimants and causes problems for employers. We recommend that the Department finds ways of synchronising the increases in the level of the Carer's Allowance earnings limit with increases in the National Minimum Wage.**[58]

In its response published on 19 December 2008, the Labour Government said, in relation to the above recommendations:

> 42. The Government is keen to help carers to combine some paid work with their caring responsibilities where they are able to do so. However introducing an income taper into Carer's Allowance would make the benefit considerably more complex to administer and much more difficult for carers to understand. It would therefore add an extra burden for carers who already have heavy caring responsibilities as their benefit would need to be reassessed with every change in their income.
>
> 43. The Carer's Allowance earnings limit increased by 13% during 2007, and the Government will continue to keep the level of the earnings limit under review, including the most appropriate timescales for uprating.
>
> 44. As noted above, the Government intends to look systematically at the support offered to carers through the benefits system as part of its development of the single benefit.[59]

In its 2018 report, Employment Support for Carers, the Work and Pensions Committee reiterated its earlier recommendation that the Government introduce a taper rate for Carer's Allowance to avoid the "cliff-edge" problem. The Committee called the cut-off an "outdated anomaly in the benefits system and counter to the Government's objective of making work pay."[60] The Committee's report – and the

58 HC 485 2007-08
59 HC 105 2008-09
60 Work and Pension Committee, *Employment Support for Carers*, 17 May 2018, HC 518; para 16

Government's response – is covered in more detail in section 7 of this briefing.

Effect of increases in the National Minimum/Living Wage

The interaction between the National Minimum Wage (NMW) and Carer's Allowance has been a recurring concern. The main concern has been about increases in the NMW pushing people above the Carer's Allowance earnings limit. There is no mechanism for automatically adjusting the earnings limit to take into account increases in the NMW. The introduction of the National Living Wage and commitments to increase it further could increase the number of carers affected.[61]

The 2016 Age UK and Carers UK report, *Walking the Tightrope*, called on the Government to ensure the earnings limit rose to ensure carers could always work a minimum of 16 hours on the National Living Wage.[62]

In response to a parliamentary question on what assessment had been made of the impact of the NLW on the Carer's Allowance earnings limit, and if the Government would bring forward proposals to increase the earnings limit, the then DWP Minister Penny Mordaunt said on 12 September 2016:

> The primary purpose of Carer's Allowance is to provide a measure of financial support and recognition for people who give up the opportunity of full-time employment in order to provide regular and substantial care for a severely disabled person. It is not, and was never intended to be, a carer's wage or a payment for the services of caring, nor is it intended to replace lost or forgone earnings in their entirety.
>
> The earnings limit for Carer's Allowance is a net figure which is the figure left once income tax, National Insurance contributions and half of any contributions to an occupational or personal pension are deducted from earnings. There are also a number of other deductions which can be made that mean that people can earn significantly more than £110 per week and still be eligible for Carer's Allowance.
>
> Whilst the Government does not link the earnings limit to any other particular factor (including the National Living Wage), we do keep it under regular review and increase it when it is warranted and affordable, and this will continue to be our approach. Most recently in April 2015 the earnings limit was increased by 8% to £110, far outstripping the general increase in earnings.[63]

Since then, the earnings limit has increased further and now stands at £123 a week.

In its 2018 report Employment Support for Carers, the Work and Pensions Committee also recommended that the Government address

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[61] See Low Pay Commission, The National Living Wage Beyond 2020, 4 November 2019

[62] Age UK and Carers UK, Walking the Tightrope: The challenges of combining work and care in later life, July 2016, p43

[63] PQ 45121 [on Carers' Benefits: Living Wage]

the "disconnect" between the earnings threshold and the NLW. Further details are given in section 7 below.

tudying and claiming arer's llowance

Section 70(3) of the *Social Security Contributions and Benefits Act 1992* provides that a person is not entitled to Carer's Allowance if he/she is in full-time education. Generally, a person will be deemed to be in full-time education if their course is described as full-time by the educational institution, but regulation 5 of the *Social Security (Invalid Care Allowance) Regulations 1976*[72] states that a person is in full-time education if he/she is attending a course at a university, college or other educational establishment for at least 21 hours a week. In calculating the 21 hours only "supervised study" counts. Meal breaks or "unsupervised study" do not count. Supervised study does not necessarily have to be at the institution in the physical presence of a teacher, tutor or lecturer; it includes study the person is directed to undertake as part of the reasonable requirements of the course. Hours of study in excess of the normal requirement count as unsupervised study.[73]

The rationale for excluding those in full-time education from the Carer's Allowance is the same as that for the so-called "overlapping benefits rule", which applies in certain circumstances when a person is entitled to more than one social security benefit (see above). DWP officials[74] have in the past confirmed to the Library that the prohibition on people in full-time education receiving Carer's Allowance is an extension of this principle. The assumption is that people in full-time education are already being maintained via mainstream student support, and that payment of Carer's Allowance would duplicate provision.

The 21 hour study rule has been criticised by a number of organisations as a barrier to carers wishing to engage in education or training in order to update their skills with a view to entering or returning to the labour market. In its July 2008 report, *Valuing and supporting carers*, the Work and Pensions Committee stated (original emphasis):

> **163. Carers currently face a stark choice between engaging in education and training without any financial support or living on benefits. Many carers would be able to undertake education or training in addition to providing in excess of 35 hours of care per week. We recommend that the Department evaluates the effect of lifting the 21 hour study rule for carers on Carer's Allowance to enable carers to engage in education and training as a route into paid employment. We also recommend that the Department evaluates the effect of adding Carer's Allowance to the list of qualifying benefits for reduced education and training fees.** [75]

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[72] SI 1976/409 as amended
[73] For further details see para 60068 onwards in Chapter 60 of the DWP Decision Maker's Guide
[74] DWP Disability and Carers Directorate Benefit Policy Division
[75] HC 485 2007-08

The Labour Government's response was published on 19 December 2008. In relation to the above recommendations it said:

> 39. The Government is keen to ensure that carers have access to training opportunities that will enable them to improve their skills in preparation for entry or re-entry to the job market if their caring responsibilities come to an end. Rather than consider piecemeal changes to Carer's Allowance, the Government intends to look specifically at the support offered to carers through the benefits system as part of its development of the single benefit.[76]
>
> 40. The Department for Innovation, Universities and Skills is committed to tackling the many barriers people face to accessing opportunities to get into training and on at work. This includes those with full time caring responsibilities, of whom an estimated 1 in 5 has left or turned down a job because of caring responsibilities.
>
> 41. The Department for Innovation, Universities and Skills is introducing a new advisory service - the adult advancement and careers service (aacs) - that will combine skills and training advice with practical guidance for people on how to overcome the barriers they face in getting on in life. The aacs will provide a one-stop-shop for those seeking training and help into work but who also face problems in areas like childcare, money matters, housing and disability issues. The service will be freely available to all, but it is intended that it will provide particular targeted support for groups such as carers, ensuring that they do not miss out on opportunities to achieve their ambitions because of the social contribution they have made. The new service will be operational from autumn 2010.[77]

The proposed "Adult Advancement Careers Service" was never established, but the 2010 Government launched the National Careers Service in April 2012.

Subsequent administrations have not indicated any desire to revisit the 21 hour rule.

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[76] In its July 2008 Green Paper, No one written off: reforming welfare to reward responsibility, and December 2008 White Paper, Raising expectations and increasing support, the Labour Government said that it was attracted to the idea of a single benefit for people of working age that would cover a number of claimant groups; see pp38-42 of Library Research Paper 09/08, Welfare Reform Bill 2008-09: social security provisions

[77] HC 105 2008-09

Universal Credit (UC) is replacing means-tested social security benefits and tax credits for working-age families. UC is being introduced gradually and under the latest roll-out schedule the benefit will not have replaced existing "legacy" benefits completely until December 2023.

Carer's Allowance will remain outside Universal Credit and the maximum amount of UC payable will be reduced pound for pound by any Carer's Allowance a person/family receives. Where a person satisfies the care conditions for Carer's Allowance – i.e. they are "regularly and substantially" caring for a person receiving a qualifying disability benefit – a carer element will be included in the calculation of their UC maximum amount. This mirrors the carer premium/addition currently payable with means-tested benefits, and is worth £160.20 a month (2019-20 rate[85]). A person does not have to be in receipt of Carer's Allowance or have made a claim for it to receive the carer element – the calculation of the UC award will include the carer element for as long as the person satisfies the care conditions. An award of UC can include the carer element even if Carer's Allowance would not be payable because the person's earnings exceed the Carer's Allowance earnings limit (currently £123 a week, net of certain expenses[86]).

The introduction of Universal Credit is being accompanied by a new "conditionality" regime setting out what people will be required to do in return for receiving it. People who satisfy the conditions for the carer element will be in the "no work-related requirements" group. This means that they will not be expected to look for work or undertake any work-related activities to receive UC.

For those carers who are in work, Age UK and Carers UK have called for a realistic conditionality regime, with an understanding of the specific challenges faced by working carers.[87]

Further information on how Universal Credit affects carers can be found in:

- DWP Universal Credit Guidance chapter: Carers, Version 9.0, current October 2019
- DWP Advice for Decision Making Chapter A6: Carer element
- Carers UK, Universal Credit

85 £162.92 a month from April 2020
86 See section 3.3 above
87 Age UK and Carers UK, Walking the Tightrope: The challenges of combining work and care in later life, July 2016, p17

5. Carers and the Benefit Cap

The 2010 Government introduced a cap on the total amount of benefit that working-age households can get, from April 2013. Measures in the *Welfare Reform and Work Act 2016* have reduced the cap further, starting from 7 November 2016.

Households where someone is claiming a disability benefit (including PIP, DLA, and the Support Component of Employment and Support Allowance) are **not** subject to the cap. Receipt of Carer's Allowance did not however in itself give exemption from the cap prior to November 2016.

In a judgment on 26 November 2015, the High Court held that the failure to exempt full-time unpaid carers in receipt of Carer's Allowance from the Benefit Cap constituted unlawful discrimination against disabled people, in breach of Article 14 of the European Convention on Human Rights.[88]

During the Third Reading of the *Welfare Reform and Work Bill 2015-16* in the House of Lords, the Minster for Welfare Reform, Lord Freud, tabled an amendment to exempt all recipients of Carer's Allowance (and Guardian's Allowance) from the Benefit Cap.[89]

With effect from 7 November 2016, all claimants entitled to Carer's Allowance are exempt from the cap and any existing capped claims where there is an entitlement to Carer's Allowance had the Benefit Cap removed from 7 November 2016.[90]

Further information can be found in Commons Library briefing CBP-6294, The Benefit Cap. Carers UK also has information on its Benefit Cap page.

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88 *Hurley & Others v Secretary of State for Work And Pensions*, [2015] EWHC 3382 (Admin)

89 HL Deb 9 February 2016 c2121

90 Changes also came into force at the same time to exempt from the Benefit Cap households with someone in receipt of Guardian's Allowance

6. Overpayments of Carer's Allowance

In 2018 it emerged that the DWP had detected higher rates of overpayment of Carer's Allowance than in the past, following an exercise to match claims to earnings data. Most of the overpayments identified were caused by carers' earnings exceeding the earnings limit, though few cases involved proven fraud. The Department had however been slow to take compliance action, due to staff shortages. It is now aiming to recover around £150 million overpaid Carer's Allowance from just under 80,000 carers.

The National Audit Office launched an investigation and on 24 April 2019 it published a report, Investigation into overpayments of Carer's Allowance.[91] The NAO's findings included:

- The DWP is detecting significantly more Carer's Allowance overpayments than before – 93,000 overpayments in 2018-19 compared with an average of 41,000 a year detected in the previous five years. Although many overpayments were for just one week, in some cases overpayments continued for more than a decade before they were discovered. The improved detection rates are due to the Department putting in place more people and new systems to detect overpayments, and addressing backlogs generated by previous staff shortages.
- The Department aims to recover overpayments where it deems the carer was at fault. Just over half of these debts are under £1,000 but some debts are much larger. 133 individuals had outstanding debts of over £20,000 at the end of March 2019.
- Most overpayments arose because carers failed to notify the DWP with the correct information about their earnings. By value, around 70% of identified cases of overpayments are because carers' earnings are over the earnings limit.
- The Department had acknowledged that it needs to improve its communications with carers to increase their understanding of their obligations. Some carers are inadvertently caught out by the "cliff edge" earnings limit, and uncertainty about what are allowable expenses can also lead to overpayments. The Department is reviewing its letters to carers, and online guidance, to clarify carers' obligations.
- It will take a long time for carers to repay these overpayments. At the standard rate of repayment for those on benefits, it will take an average of three and a quarter years for carers to repay their debt. For those on benefits with an overpayment of £20,000 this could require repayments for the next 34 years.
- The Department does not know how repaying debts will affect carers or the disabled person they care for. It has not conducted any recent evaluation of the impact of its debt recovery policies. DWP does offer hardship rates of recovery to those struggling with repayments, but only just under 1,000 carers were repaying debts at hardship rates.

[91] HC 2103 2017-19

The Work and Pensions Committee also launched an inquiry and its report on Overpayments of Carer's Allowance was published on 2 August 2019.[92] The Committee concluded that carers were being "disproportionately heavily penalised for years of DWP administrative errors or their own honest mistakes, in a confusing and outdated system where the IT cannot even adapt a basic information letter within a year".[93]

The Committee noted that carers can suffer considerable stress and anxiety as they face substantial financial debts, compounded by the Department's approach to recovering overpayments. Accordingly, it recommended that DWP reassess is approach and:

- conduct a review of the individual cases where it is seeking to recover overpayments of Carer's Allowance and where its own administrative failures had allowed overpayments to accrue.
- consider on a case by case basis whether overpayments are worth pursuing given its culpability, the cost of recouping the overpayments and the impact on the lives of carers and those who they care for.
- start with cases of overpayments worth over £2,500, the majority (two-thirds) of which its internal audit team found it could have detected earlier, and decide whether it should be writing off amounts where the claimant has made an error in failing to report changes in their circumstances: errors that are "easily understandable given the complexity of the rules around CA and unclear advice issued by the Department."

In its response, the DWP said that it did not accept that Carer's Allowance is a "particularly complex benefit". It added that legislation and case law had always made it clear that claimants have a responsibility to report relevant changes in circumstances, including changes to earnings. Treasury guidance obliged the Department to recover overpayments occurring as a result of failures to report relevant changes, and overpayments could only be waived in very limited circumstances, usually where recovery would cause substantial medical and/or financial hardship.[94]

The Committee was particularly disappointed that the Department had not accepted its recommendation to look into writing off overpayments, particularly where there have been substantial administrative failings by the Department or where its advice to claimants was unclear.[95]

The Committee also concluded that the design of Carer's allowance itself – including the "cliff edge" earnings limit – had been a contributing factor leading to overpayments. The Committee's recommendations here, and the Government's response to them, are covered in section 7 of this briefing.

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92 HC 1772 2017-19

93 Carers saving Treasury £billions every year "set up for a fall" by design of Carer's Allowance, Work and Pensions Committee press release, 2 August 2019

94 HC 102 2019, 5 November 2019, paras 14-16

95 Committee publish Government response to Overpayments of Carer's allowance report, Work and Pensions Committee press release, 5 November 2019; letter from Frank Field to the Secretary of State for Work and Pensions, 30 October 2019

7. Reform proposals

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.).**[96]

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

In its response to the Committee's report in December 2008 the Labour Government accepted the general principle put forward by the

[96] Original emphasis

Committee that a future system of support for carers should distinguish 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.

No further announcements were made before the 2010 General Election.

Media reports in March 2015 suggested that, as part of an investigation into the options for making further welfare savings, DWP officials had been asked to look into changes to disability and carers' benefits, including abolishing Carer's Allowance and limiting help to carers eligible for Universal Credit (see below).[97] According to leaked documents seen by the BBC, the DWP estimated that restricting help to carers eligible for UC could save £1 billion a year, and result in 40% of claimants losing out.[98]

In its 2015 Green Budget, the Institute for Fiscal Studies (IFS) estimated that scrapping Carer's Allowance and allowing claimants to claim Universal Credit instead would only save around £300 million a year. The reduction in spending would be relatively small since most claimants would be entitled to claim means-tested support to offset the loss of Carer's Allowance.[99]

Commenting on the BBC report, the IFS said that the discrepancy between the leaked figures and its estimate was likely to be because the

97 "Election 2015: Conservative benefit cut options leaked," BBC News, 28 March 2015
98 Ibid.
99 "Options for reducing spending on social security," in *Green Budget 2015*, February 2015, p217

Green Budget figures did not account for non-take-up of means-tested benefits.[100]

The BBC report stated however that the Conservatives had insisted that the proposals in the leaked documents were not party policy. It added:

> A spokeswoman for Work and Pensions Secretary Iain Duncan Smith said: "This is ill-informed and inaccurate speculation.
>
> "Officials spend a lot of time generating proposals - many not commissioned by politicians.
>
> "It's wrong and misleading to suggest that any of this is part of our plan."

Carers UK issued the following response to the media reports:

> **Carers UK responds to leaked plans for welfare cuts**
>
> 27 March 2015
>
> Responding to reports from the BBC that the DWP has drawn up plans that would see a tightening of eligibility for Carer's Allowance:
>
> Emily Holzhausen, Director of Policy at Carers UK said;
>
> "Carers UK represents all carers providing unpaid support for disabled, ill and frail relatives and friends. The value of their support, overall is worth a staggering £119bn a year yet caring can come at a huge personal cost to carers placing a strain on finances as well as health and wellbeing.
>
> Carer's Allowance is the lowest benefit of its kind paid to people who have largely given up work to care for their relatives who are disabled or chronically sick. To get the benefit they have to be providing at least 35 hours of unpaid care per week.
>
> Our research shows that over one third of carers could not afford to pay utility bills and 45% were cutting back on food.
>
> Carers have made it very clear that they need more financial support not less and this needs to the priority of any future Government. "

In a joint letter to *The Guardian* on 31 March 2015 in response to the leaked documents, Rosemary O'Neill of the campaigning group Carer Watch and over 70 other individuals from disability, carers' and other organisations argued that moving carers to Universal Credit would result in an unfair system that gave no recognition of their contribution to society. They believed that governments should accept their responsibility to carers, who deserved a "livable income, a separate benefit which recognises that they are not unemployed or "passive" recipients of benefit." The letter continued:

> Those in receipt of carer's allowance cannot be classed as being inactive. Carers are unique within the benefit system in that they have to provide a minimum of 35 hours a week care in order to qualify for carer's allowance. Over 1.5 million carers provide more than 50 hours' a week of care, some providing care 24 hours a day, seven days a week. Carer's allowance cannot therefore be considered as being a "passive" benefit. Caring places physical

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[100] Stuart Adam, Andrew Hood, and Robert Joyce, The search for further benefit cuts, IFS Observation, 27 March 2015

> and emotional demands on a carer. Unpaid caring entails carrying out the same tasks and duties considered by society to be work when carried out by paid care workers.
>
> Without carers' unpaid contribution to society, this unpaid care would have to be provided by state-funded social care staff at a considerably higher cost to society. Without carers, our NHS and social care systems would collapse. The average carer is saving the nation over £15,260 a year. A full-time carer saves the nation considerably more. CarerWatch believes these proposals indicate a failure on the government's part to recognise that caring is not passive and that carers make a valuable contribution to society (estimated to be worth £119bn a year).[101]

In the event, the incoming Government did not announce changes to Carer's Allowance, but Summer Budget 2015 set out a package of measures to yield additional welfare savings of £13 billion a year by 2020-21, including limits to Child Tax Credit, a four-year freeze in working-age benefits (rather than a two-year freeze as previously announced), abolition of the Employment and Support Allowance Work-Related Activity Component for new claims from April 2017, and reductions in the household benefit cap.[102][103]

7.1 Recent Work and Pensions Committee reports

Support for carers

In November 2017 the Work and Pensions Select Committee launched an inquiry into Support for Carers to examine the "realities of juggling caring duties with paid employment". One of the areas the inquiry focused on was the benefits systems. Evidence to the inquiry highlighted similar concerns with Carer's Allowance to those raised by the Committee 10 years earlier in the *Valuing and Supporting Carers* report. They included:

- the income "cliff-edge" that resulted from Carer's Allowance being removed in full when earnings exceed the threshold; and
- the disconnect between the earnings threshold and the National Living Wage.

The "cliff edge" problem has long been a source of complaint for carers and organisations representing them (see section 3.3 of note). If earnings calculated for the purposes of Carer's Allowance exceed the threshold of £123 per week, the carer loses 100% of the benefit. It can therefore act as disincentive for carers to increase their working hours.

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[101] "Carers deserve a livable income," *Guardian* letters, 31 March 2015. The figure of £119 billion for the economic value of the annual contribution made by carers in the UK originates from a 2011 study commissioned by Carers UK – see University of Leeds and Carers UK, Valuing Carers 2011: Calculating the value of carers' support, May 2011

[102] For details see Library briefing CBP-7251, Welfare Reform and Work Bill

[103] The Office for Budget Responsibility now estimates that the package of measures announced at the 2015 Summer Budget will however only save £9 billion a year by 2020-21 – see OBR, Welfare trends report, December 2019

Carers UK, in giving evidence to the inquiry, described this as "one of the harshest penalties in the benefits system"[104]

Echoing the recommendations to the Committee's 2008 inquiry, witnesses called for the introduction of a taper for Carer's Allowance. Since the 2008 inquiry, Universal Credit has been introduced which uses a taper rate to avoid the "cliff edge" problem.

In its 2018 report, *Employment Support for Carers*,[105] the Committee stated that the Carer's Allowance income threshold cut-off was an "outdated anomaly in the benefits system and counter to the Government's objective of making work pay".[106] Although, recognising that the introduction of Universal Credit would resolve the problem for some claimants, the Committee also pointed out that a fully operational Universal Credit system was some years away and, furthermore, not all Carer's Allowance claimants would receive Universal Credit. The Committee recommended that a taper rate be incorporated into the Carer's Allowances system:

> **The Government already has a solution for work incentive cliff edges in the taper it uses for Universal Credit. Coherence and fairness in the benefits system dictates Carer's Allowance should be withdrawn at the same rate. We recommend that the Government introduce a taper for Carer's Allowance at the same rate as used for Universal Credit**.[107]

Even, if the taper system was adopted, the Committee warned that problems would remain for people claiming both Working Tax Credit and Carers Allowance due to effect of the National Living Wage (NLW). The Committee report explains:

> Certain claimant groups, such as single parents, must work at least 16 hours per week to receive WTC. However, 16 hours at the current NLW (for people aged 25 and over) of £7.83 pays £125.28, more than the current Carer's Allowance earnings threshold of £120. Carers on the NLW can effectively face a choice between the two benefits.[108]

Since the introduction of the NLW from April 2016, charities representing carers have been calling for the earnings threshold to rise to ensure that carers can always work a minimum of 16 hours on the NLW.[109]

Evidence to the Committee highlighted that the issue will persist for working parents after the introduction of Universal Credit as they must work a minimum of 16 hours a week at at least the NLW to be eligible for free childcare for three and four year olds. As a result, parent carers must balance their work commitments to ensure they work enough hours to qualify for the childcare subsidy but do not exceed the earnings

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104 HC 581 2017-19, para 11
105 Work and Pensions Committee, Employment Support for Carers, HC 581 2017-19, 17 May 2018
106 Ibid. para16
107 Ibid.
108 Work and Pensions Committee, Employment Support for Carers, HC 581 2017-19, 17 May 2018, para 18
109 See for example, Age UK and Carers UK report, Walking the Tightrope, July 2016

threshold for Carer's Allowance. For many parent carers considering work, this may act as a disincentive to take up employment.

In light of the evidence, the Committee recommended there should be:

> **…a link between the National Living Wage and the Carer's Allowance earnings threshold. For as long as 16-hour rules exist in the benefits system, the Carer's Allowance threshold should be equivalent to no less than 16 hours at the National Living Wage.**[110]

Government response

The Department for Work and Pensions rejected the Committee's recommendations regarding a taper and formally linking the Carer's Allowance earnings limit to no less than 16 hours at the National Living Wage.[111]

It argued that the earnings limit serves a different purpose from that of a taper – the former is a test of whether the person is in "gainful employment", whereas tapers are designed to make sure that work pays. It also pointed out that for a taper to be "cost neutral", benefit would have to start to be withdrawn at a level lower than the current earnings limit – introducing a disincentive to work for carers with the lowest incomes, and adding complication.

On linking the earnings limit to the National Living Wage, the Department noted that as the earnings limit is net of certain expenses, many carers can work for 16 hours a week while retaining access to Carer's Allowance and benefits such as Working Tax Credit. It believes that the earnings limit "is generally working well for many claimants and allows them to keep a foothold in the labour market while undertaking their full-time caring responsibilities."[112]

The Work and Pensions Committee Chair, Frank Field, criticised the DWP for its "non-response" to the Committee's report.[113] In a follow-up letter to the then Minister for Disabled People Sarah Newton, Mr Field sought further clarification on a number of points, including what evidence the Department had drawn on when it concluded that the Carer's Allowance earnings limit was "generally working well for many claimants".[114]

Responding to Mr Field's letter, the Minister said that it was reasonable to conclude that the earnings limit was working well given that many Carer's Allowance claimants were able to combine their caring duties with paid work.[115] The Minister also said that a taper would "significantly complicate" Carer's Allowance, requiring a fundamental change to the Department's IT systems and operational processes, which are all geared to a single cut-off. Earnings information would also likely have to be submitted directly by claimants, as HMRC's "Real

110 HC 581 2017-19, para 21
111 HC 1463 2017-19, 31 July 2018
112 Ibid. para 23
113 Committee Chair rejects Government "non-response" on support for carers, Work and Pensions Committee press release, 31 July 2018
114 Letter from Frank Field to Sarah Newton, 26 July 2018
115 Letter from Sarah Newton to Frank Field, 31 October 2018

Time Information" system was unlikely to provide earnings information in the form required for Carer's Allowance. In addition, the Minister said that a taper would complicate matters for Universal Credit, as awards would have to be adjusted to take account of varying Carer's Allowance payments.

In response, Mr Field wrote to the Minister again, asking whether the Department had costed the changes that would be required to IT systems and operational processes to introduce a taper, and if she would consider introducing a taper were it not for the practical challenges.[116]

The Minister's reply reiterated that the Universal Credit taper and the Carer's Allowance earnings rules "serve a very different purpose", and said that that DWP had not fully costed the operational changes that would be necessary to introduce a taper.[117]

Overpayments of Carer's Allowance

The Work and Pensions Committee revisited issues around the design of Carer's Allowance in its August 2019 report on *Overpayments of Carer's Allowance*.[118] Noting that the £123 "cliff edge" earnings limit means that a small rise in earnings can have a "disproportionately punitive" effect compared with other benefits, the Committee concluded that the design of Carer's Allowance itself "sets carers up for a fall". The Committee recommended that:

- The Department look again at the different options for introducing a taper into Carer's Allowance or, if this is not accepted, where claimants' earnings are within 5% of the earnings threshold, the DWP should limit the period for which an overpayment is recoverable to one month.
- The Department make it clearer to claimants that earnings can be averaged over longer time periods, and use data it holds on claimants' earnings to explore whether assessing incomes over a different time period from the currently weekly default would work better for the majority of claimants.
- To avoid carers earning the National Living Wage having to choose whether to claim benefits and tax credits (or to be eligible for free childcare), the Department should consider again the Committee's previous recommendation to link the earnings threshold to no less than 16 hours at the NLW.
- The Department continue to work with stakeholders to improve the information it provides to claimants on the earnings rules.

Government response

The Government's response was published on 5 November 2019.[119] The DWP believes that "there are stronger arguments for making better use of the available provision to average earnings and linking the CA

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116 Letter from Frank Field to Sarah Newton, 8 November 2018
117 Letter from Sarah Newton to Frank Field, 28 November 2018
118 HC 1772 2017-19, 2 August 2019. See also the accompanying Committee press release, Carers saving Treasury £billions every year "set up for a fall" by design of Carer's Allowance; and section 6 of this Commons Library briefing
119 HC 102 2019

earnings limit to 16 hours work at the National Living Wage level…, than there are for much more radical change through introducing an earnings taper".

The Department noted the Committee's continuing interest in a taper, but reiterated that there a range of policy and delivery issues to consider:

> These include the potential impacts a taper would have on CA operations, as well as the risk of more fraud and error, not less, with a resulting increase in overpayments. We would not want to replicate in CA the earnings taper already available in UC or reduce the amount of CA for lower earners (thus risking a work disincentive) in order for some carers with higher earnings to still receive part of the allowance.[120]

On the alternative suggestion to limit recoverable overpayments where claimants' earnings are within 5% of the earnings threshold, the Department states that as it stands the Carer's Allowance earnings are straightforward and that "This sort of "tolerance" approach could potentially confuse claimants, DWP staff and other advisors alike".[121]

On assessing fluctuating earnings, the Department said that it is "already reviewing the treatment of fluctuating earnings and will report back to the Committee in due course".[122]

On linking the Carer's Allowance earnings threshold to 16 hours at the National Living Wage, the Government recognises that a working pattern based around 16 hours work will be common for some carers – partly because it is a passport to childcare support and Working Tax Credit, but also because it can be convenient for employers and for carers. The DWP is to commission and publish new research involving Carer's Allowance on the facilitators and barriers to engaging in the labour market. The research is expected to report in the summer of 2020.[123] The Department's response adds:

> We will look at the findings from the research and other evidence and arguments with an open mind, and would consider any changes to the earnings limit to be a priority for DWP if they were deemed to be necessary and affordable. In the meantime, the Government will look to ensure that the earnings limit maintains its value as far as is possible, as we have been able to successfully do over the last few years.[124]

The Committee said that it was "so disappointed" with the Government's response, and the Chair, Frank Field, wrote back to the Department seeking more detail, in particular on whether it accepted or rejected each of the Committee's recommendations.[125]

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[120] Ibid. para 23
[121] Ibid. para 24
[122] Ibid. para 25
[123] Ibid. para 13
[124] Ibid. para 29
[125] Committee publish Government response to Overpayments of Carer's allowance report, Work and Pensions Committee press release, 5 November 2019

7.2 Demos report

In December 2018 the think tank Demos published a report recommending that, as part of a wider package of measures forming a "radical new settlement" between the state and carers, the Department for Work and Pensions abolish Carer's Allowance and replace it with a "Universal Carer's Income (UCI)" for all carers providing more than 35 hours a week of care, paid at the same rate as Jobseeker's Allowance.[126]

The report details problems arising from Carer's Allowance which, it notes, has changed little since its introduction in 1976. These include the low level of the benefit compared with other income replacement benefits, the "cliff edge" earnings limit, and the effect of increases in the National Living Wage on the number of people entitled to the benefit. It concludes that Carer's Allowance is "a 1970s benefit unfit for a 21st Century Britain".[127]

The proposed Universal Carer's Income would "provide financial assistance to cover income-replacement and help with increased living costs as a result of caring":

> A UCI would be universal in the sense that it is not means-tested nor dependent on the person being cared for receiving one of a number of benefits (as is currently required by Carer's Allowance). Carers would also be able to receive the benefit if they are in full or part-time work and if they are in education. This would end the long-standing injustice of carers 'paying to work', whereby Carer's Allowance is withdrawn for those earning over £120 per week. A UCI would also not act as a disincentive to informal carers from entering work or enrolling in education courses. Furthermore, given that 1.2m carers are living in poverty and that one in two carers are living in a household where no one is in work, increasing the Carer's Allowance to £73.10 per week is likely to have a real impact on their lives.[128]

The report estimated that paying the UCI to people currently eligible for Carer's Allowance (including those eligible for the benefit but not actually receiving it, e.g. because of the overlapping benefits rule) would cost around £4.3 billion a year. Paying UCI to all 3 million or so carers estimated to be providing at least 35 hours of care per week would cost around £10.2 billion.[129] Savings from abolishing Carer's Allowance would partially offset the additional expenditure.

In addition to Universal Carer's Income, the Demos report also proposed (among other things) that the Government should:

- introduce a "Carer's Working Credit" to give carers the right to pay-protected part-time working;
- immediately introduce the right to one year's unpaid care leave; and
- work towards introducing one year's paid care leave funded by abolishing the State Pension "triple lock".

126 Ben Glover, The Carer's Covenant, Demos, December 2018; www.demos.co.uk
127 Ibid. pp37-38
128 Ibid. p38
129 Ibid. pp38-40

7.3 The Carer's Action Plan

On 5 June 2018, the Government published its *Carers Action Plan*, setting out a cross-government programme to support carers over the following two years.[130] The Action Plan drew on responses to the Government's 2016 Carers strategy: call for evidence. The Foreword to the Action plan stated:

> Carers need to be recognised and valued. Carers need access to information and support to provide the best care they can. Carers need to be helped to balance their caring responsibilities with their own employment and to preserve their personal health and wellbeing. That is why we are publishing this Carers Action Plan. It sets out the practical actions we plan to take over the next two years working together across government and with partners beyond government.[131]

The 31-page Action Plan briefly mentioned Carers Allowance in Chapter 2 - Employment and financial wellbeing - where it stated:

> The Department for Work and Pensions will ensure that benefits for carers (including Carer's Allowance and Universal Credit) meet the needs of carers and support employment for those carers who are able to work.[132]

The Carers Action Plan received a lukewarm reception from carers' groups and campaigners, with many criticising the lack of commitment to provide additional financial support for carers.

The Low Incomes Tax Reform Group said that while there were sensible recommendations in the plan, the "lack of a full and detailed response to the issues raised in the call for evidence is disappointing".[133] LITRG referred to the proposals on emotional and financial wellbeing as "worryingly vague". In particular, it was disappointed that the Government had not mentioned uprating the Carer's Allowance earnings threshold in step with the National Living Wage, in line with the recommendation of the Work and Pensions Committee.

Carers UK welcomed the cross-party recognition provided by the Action Plan of the need to improve support for carers. However, they too expressed disappointment that plan did not commit to further financial support for carers. They stated:

> With the cuts to local government funding and services, support to carers has never been more important. The Plan raises greater expectations for more far reaching proposals on the funding and support provided to families and friends who care, as part of the forthcoming Green Paper on social care. We will continue to press the Government to make sure that the Green Paper brings the wider changes to our social security, employment, and health and care systems that carers need.[134] However, the

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130 Department for Health and Social Care, Carers Action Plan 2018-20 – Supporting Carers Today, June 2018

131 Ibid., Foreword

132 Ibid. p20

133 LITRG press release "Unpaid carers action plan does not go far enough" 11 July 2018

134 Further information on the social care green paper can be found in a Commons Library briefing Adult social care: the Government's ongoing policy review and anticipated Green Paper (England)

> issue of additional resources to fund support for carers is conspicuously absent.[135]

The sentiment was also expressed by others in the care sector including Melanie Henwood, an independent health and social care research consultant who noted that "the issue of additional resources to fund support for carers is conspicuously absent" from the Action Plan.[136]

The Labour Party's shadow Minister for Social Care, Barbara Keeley MP, stated:

> This action plan is notable for planning very little action that would actually support carers, when the need for support through better-funded social care has never been more urgent.[137]

Further information on Government policy affecting carers more generally can be found in a Commons Library briefing, Carers.[138]

135 Press release "Carers UK welcomes Carers Action Plan but says pressure is now on for social care green paper" 5 June 2018

136 From "While the Carers Action Plan is welcome, it is not good enough in itself", London School of Economics and Political Science blog

137 Labour "Carers action plan is notable for planning very little action that would actually support carers," 5 June 2018

138 CBP-7756, last updated 12 June 2019

8. Further Scottish devolution and Carer's Allowance

The *Scotland Act 2016* devolved responsibility to the Scottish Parliament for (among other things) disability and carers' benefits.

In their 2016 Scottish Parliament election manifestos, the SNP, Scottish Labour, the Scottish Conservatives and the Scottish Liberal Democrats all committed to increasing Carer's Allowance to bring it into line with Jobseeker's Allowance. The SNP also pledged to increase Carer's Allowance for those looking after more than one disabled child, to recognise higher costs.[139]

The Scottish Greens' manifesto proposed a 50% increase in Carer's Allowance alongside a wider redesign of Carer's Allowance "to value care, tackle financial stress and reduce paperwork", and also said that the party would explore introducing a "Young Carer's Grant".[140]

In May 2016, First Minister Nicola Sturgeon confirmed that the Scottish Government would increase the rate of Carer's Allowance and consider the introduction of a young carer's allowance:

> We will increase carers allowance, and I can announce today that we will consider the introduction of a young carers allowance to provide extra support for young people with significant caring responsibilities. That proposal was in the Green Party manifesto—I think that it has real merit, and we will now ask our carer advisory groups for their views on how to take it forward.[142]

The Scottish Government introduced a Carer's Allowance Supplement in September 2018, backdated to April 2018. It is paid twice yearly and is calculated using the formula Jobseeker's Allowance minus Carer's Allowance, multiplied by 26 weeks. It is currently worth £226.20 (2019-20 rate). The increase is not clawed back elsewhere, and does not affect other benefits which remain reserved, including Income Support, tax credits and Universal Credit.[143] The Scottish Government also plans to provide additional financial support for carers or more than one disabled child, from spring 2021.

From winter 2021, new claims for Carer's Assistance (replacing Carer's Allowance and the Carer's Allowance Supplements) will begin, and under current plans existing Carer's Allowance claimants in Scotland will transfer to carer's assistance between spring 2022 and 2025. Carer's assistance will initially mirror Carer's Allowance (plus the supplements),

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139 SNP Manifesto 2016, p21; Scottish Labour, Labour will deliver better support for Scotland's carers; Scottish Conservative and Unionist Party Manifest 2016, p21; Scottish Liberal Democrats Manifest 2016, p14

140 Scottish Greens Manifesto 2016, p8

142 SP OR 25 May 2016, c7

143 This is in line with the fiscal framework for further Scottish devolution which provides that any increase in Scottish benefits must provide additional income for a recipient and not result in an automatic offsetting reduction in benefits which remain reserved (and vice versa). For further details see Camilla Kidner, Devolved social security powers: progress and plans, SPICe briefing SB 19-27, 10 May 2019, pp14-15

but the Scottish Government intends to consult on longer term changes to the benefit in 2021.

The Scottish Government has also introduced a new Young Carer Grant worth £300 a year. The first applications were accepted on 21 October 2019.[144] This is payable to young people aged 16-18 who provide at least 16 hours of care a week to a person receiving a qualifying disability benefit, but do not qualify for Carer's Allowance. This is part of a broader planned package of support which will also include free bus travel from 2020/2021, "subject to successful piloting." The Scottish Government states that the Young Carer Grant will "help around 1,700 young carers each year get respite and access life opportunities which are the norm for many other young people, as they make the transition into adulthood."[145]

Further information on the Scottish Government's plans for carers' benefits and on the latest timetable for delivering the devolved benefits can be found in:

- Scottish Government, Support for carers policy position paper, 28 February 2019.
- Camilla Kidner, Scottish social security benefits, Scottish Parliament Information Centre briefing SB 19-68, 31 October 2019
- Carers Scotland, Timeline: Devolved and new Scottish social security payments, 9 October 2019
- Commons Library Debate Pack CDP-2019-0084, Devolution of welfare, 8 April 2019

8.1 Carers UK campaign

Carer's UK wants to see the value of Carer's Allowance in England, Wales and Northern Ireland increased to at least the level Carer's Allowance plus the Carer's Allowance Supplement in Scotland, and has launched a campaign, "Fairer for Carers". Noting the introduction in Scotland of the Carer's Allowance Supplement, Carers UK comments (original emphasis):

> These changes will mean that carers in Scotland who receive Carer's Allowance will get £74.85 per week. The Supplement will not be taken into account as income for means-tested benefits which means that people in Scotland claiming means-tested benefits will benefit fully from the increase. However, Carer's Allowance for the rest of the UK will remain unchanged at £66.15 (2019/20 rates).
>
> **This means that 778,953 carers in England, Wales and Northern Ireland are £8.70 per week worse off compared with carers in Scotland. This is not fair.**
>
> In the short term, Carers UK wants Carer's Allowance, and the associated premium/addition/element in means-tested benefits, to rise so that all carers in the UK see an increase in the financial support they receive. The unpaid care provided by carers in the UK

144 See New benefit for young carers, Scottish Government press release, 15 October 2019

145 Support for carers: policy position paper, 28 February 2019

> is worth over £132 billion per year, yet many struggle to make ends meet. It's not fair that carers in the UK receive different rates of financial support depending on where they live.

Elsewhere, Carers UK has recommended that the Government:

- Raise the Carer's Allowance earnings limit to the same level as the National Living Wage at 16 hours per week, and increase it year on year so that carers can also benefit from wage rises.
- Conduct research into the earnings limit, carers and earnings, the value of part-time work, what encourages and what dissuades carers to work, and related matters. This should include research to help determine whether and how any earning taper would work, and the degree to which it would provide an adequate incentive to carers.
- Consider amending the regulations on the computation of earnings to make 100% of pensions contributions an allowable deduction for Carer's Allowance (instead of 50%).
- Look into the possibility of an online journal for Carer's Allowance claimants – some kind of tracking record for both carers and the DWP as an option, not a requirement, so that they can log their earnings and other important factors and changes of circumstances.[146]

146 Further written evidence from Carers UK submitted to the Work and Pensions Committee inquiry on Overpayments of Carer's Allowance, OCA0002, May 2019

BRIEFING PAPER
Number 00846, 9 January 2020