

# The importance of Carer's Allowance

**Recognising and supporting family care**



1965–2015

**50**

years of making  
life better



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# Executive summary

Carer's Allowance is a vital source of independent financial support to those who are caring full-time and unpaid for older or disabled loved ones.

It also brings essential recognition from the state of the role that carers are playing. Without it many people who are supporting loved ones, often at great financial and personal cost, will end up in financial hardship. The Care Act 2014 puts in place improved recognition from the social care system of the needs of carers. As our population ages and the country depends more than ever on families to provide care, the financial support and recognition for this contribution needs to be maintained and improved.

It is nearly 40 years since Carer's Allowance was introduced in its earliest form for people, mainly women, who were caring full-time for their elderly, sick or disabled relatives. It was introduced after a strong and heartfelt plea starting in the mid-1960s, from women caring for their 'elderly dependents', to have an independent income so they were not left destitute and were not reliant on their parents or others. Many had given up work or had forgone the opportunity to work in order to care for their relatives, and in doing so they paid a heavy financial penalty. Many found that their health and wellbeing suffered, and that they were unable to have the relationships that others had.

Their plea was quite simple. If people give up work to care for a relative or close friend full-time, they should receive an income payment. It took 10 years for this plea to be answered by the Government of the time, but remains as pertinent now as it did then.

The Government's manifesto commitment to cut £12 billion spending from the welfare budget is looming large over the forthcoming Emergency Budget. In this context, recognition of the importance of Carer's Allowance to the overall support available to families caring for loved ones is of paramount importance.

The low level of Carer's Allowance is often criticised. It is the lowest benefit of its kind and there are rules which mean that some carers cannot receive the benefit, despite caring full-time. However, the importance of

the benefit in terms of recognition, providing a credit towards state pensions and other contributory benefits, and basic income to help pay the bills and meet the extra costs of caring should never be in doubt. Caring and carers are the foundation of family and community. They are the daughters, husbands and partners, fathers, mothers, nephews and nieces, caring for relatives and close friends who have disabilities, dementia, mental illness, and older people needing assistance.

This report looks at who receives Carer's Allowance, the importance of financial support and recognition for those caring for loved ones and the likely implications of any reduction in the eligibility for the benefit.



“

I don't want to be treated as if I am a burden on the State. I want to be treated as a state asset, saving the system thousands of pounds per year because I work hard to care for my relative.

”



It concludes:

- Providing unpaid care has a very significant impact on the finances of families supporting an older or disabled loved one.
- Carers are making a huge contribution and need to know that this is recognised by society.
- Carer's Allowance provides a source of independent financial support for people who are often struggling to get by.
- Carer's Allowance is the lowest benefit of its kind but does provide important recognition for people who are providing care for others.
- Entitlement to Carer's Allowance positively contributes to many women's pensions, helping many to retain a reasonable income in their retirement. Any change would disproportionately affect women.
- Without enough support carers can quickly reach breaking point, putting the sustainability of their caring role and the resulting savings to the state at risk. Financial hardship has a significant impact on the ability of carers to maintain their health and wellbeing, their relationships and support from others and the resilience needed to continue caring.
- Any reduction in eligibility for Carer's Allowance or its level would be inconsistent with both the Government's manifesto pledge and with the Government's Family Test.
- Carer's Allowance must be retained and urgent work undertaken as soon as possible to increase the level of Carer's Allowance, improve take-up of the benefit and to remove some of the restrictions on eligibility for the benefit.

# About caring

Care is something that all of us will either receive or provide at some point in our lives.

According to the 2011 Census, there are 6.5 million carers throughout the UK, 1.4 million of whom are providing over 50 hours of care per week for family members and close friends who become ill, disabled or older and need help. Every year around 2.3 million people become carers, and a similar number stop.<sup>1</sup>

The value of the help that they provide has been estimated at a staggering £119 billion per year.<sup>2</sup> Around half of carers (3 million) are combining care with paid employment and over 2 million people have given up work to care.<sup>3</sup>

58% of carers are female and 42% are male and around 1.3 million carers are over the age of 65, meaning the majority of carers are of 'working age'.<sup>4</sup>

## Financial impact of caring

Caring can happen overnight or begin gradually over time. For many, caring results in an income shock as they are forced to reduce working hours or give up paid work entirely. This comes as they face the often devastating additional costs of poor health and disability such as paying for care services, adaptations and equipment and higher household and transport bills.

For most, giving up work to care is a big decision and very likely to affect income in retirement. Carers UK has provided information and advice to carers for over half a century. Our experience is that caring, though rewarding in some aspects, can have a catastrophic effect on carers' incomes, health, wellbeing and relationships.

Most carers say that although they didn't have a choice around caring, most wish to continue caring for their relative or close friend. But they do not want to have poor health, end up in poverty or see relationships suffer as a result.

One in three

**33%**



carers are  
**over £22,000 worse off**  
as a result of caring.



<sup>1</sup> Carers UK (2014) Need to Know: Transitions in and out of caring: the information challenge

<sup>2</sup> Carers UK & University of Leeds (2011), Valuing Carers 2011: Calculating the value of carers' support

<sup>3</sup> Carers UK and YouGov (2013) as part of Caring & Family Finances Inquiry UK Report (2014) Carers UK

<sup>4</sup> Census 2011

In 2013, Carers UK started its year-long Caring and Family Finances Inquiry, publishing the findings in 2014.

From our sample of hardest pressed families providing typically over 50 hours of care per week we found that:

- almost half of carers were cutting back on use of heating (44%)
- one in five could not afford their rent or mortgage payments
- over half of carers who had remaining savings were using them to pay for everyday living costs
- 44% had ended up in debt as a result of caring
- in giving up work to care, 1 in 3 carers are over £20,000 worse off as a result of caring<sup>5</sup>

Carers want financial security and recognition of their contribution. Carers have told us they want:

- to be able to maintain some financial resilience in order to have a life alongside caring and not end up in debt or financial hardship
- carers' benefits such as Carer's Allowance to recognise the huge contribution they make to society
- a social security system that supports them to work and study, not to penalise them for supporting their family

If carers do give up full-time work to care, Carer's Allowance is the benefit which gives them a very modest income and credits towards their state pension. This paper sets out the importance of Carer's Allowance, to carers and their families.

## Mary

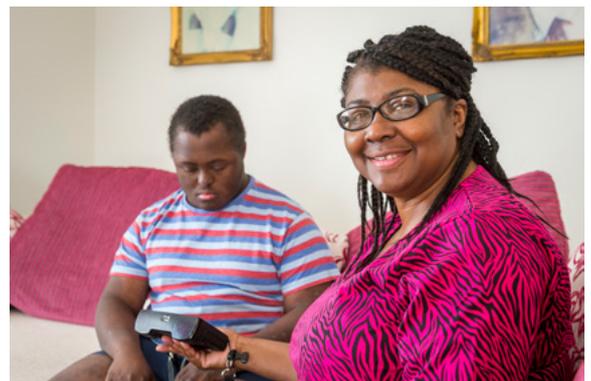
Mary's daughter was born with a severe disability. She has cared for her for 14 years. They have another child and her husband works. Her daughter gets Disability Living Allowance at the highest rates for mobility component and care. Mary cares for her daughter round the clock and doesn't often get a break. Her daughter's poor health means she is often off school, either in hospital or recovering. Mary is often up in the middle of the night to help her daughter. She feels exhausted and her health is very fragile.

Her Carer's Allowance of £62.10 often gets spent on essentials. The disability benefits and her husband's income never seems to stretch far enough to cover the equipment and additional rounds of washing that their daughter needs. Mary often has to do without. For Mary, Carer's Allowance is a small but important recognition for what she does. It really matters to her. She says she cannot think of putting her daughter into care, but equally cannot see how they would manage without Carer's Allowance as their finances are so finely balanced. Yet if changes were made to eligibility to Carer's Allowance, Mary could lose it.

“

I want 'full-time carer' to be a recognised category. I do not wish to be categorised as a 'stay at home parent' or 'unemployed' or 'housewife'. We are all working very hard as it is and are saving the NHS a fortune in the cost of caring. We need recognition by society.

”



<sup>5</sup> Carers UK (2014) Caring & Family Finances Inquiry

# What is Carer's Allowance?

Carer's Allowance is the main benefit for carers.

It is currently worth £62.10 per week, or £3,229.20 for a full year. It is an 'income replacement benefit', designed to provide a degree of income maintenance for a person who has forgone the opportunity of full-time employment in order to care for a severely disabled relative or close friend.

Carer's Allowance is a non-contributory benefit. It is not means-tested but is taxable.

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 benefits set out below
- be aged at least 16 years old
- meet residence and presence conditions and not be subject to immigration control
- not be in full time education (defined as 21 hours or more per week)
- not be 'gainfully employed' – which means having earnings which are more than £110 per week after certain deductions.

For a carer to claim Carer's Allowance, the disabled person must be receiving one of these benefits:

- middle or highest rate Disability Living Allowance care component
- Personal Independence Payment daily living component (at either rate)
- Attendance Allowance
- Constant Attendance Allowance at certain levels
- Armed Forces Independence Payment

Carer's Allowance is important to people on a very low income as it may entitle them to a top-up to their income known as the Carer Premium (or Carer Addition in Pension Credit).

Carer's Allowance also provides Class 1 National Insurance Credits towards state pension contribution records and other contributory benefits. This is important to ensure that carers do not have a reduced pension in retirement because they have been caring.

Carer's Allowance can be claimed by people over the age of 65 and who receive a state pension. However, the overlapping benefit rule means that two income replacement benefits cannot be paid at any one time, so only those on the very lowest incomes (ie a pension of less than £62.10 per week) are paid it. It does, however, provide the same gateway to a means-tested top-up.

## Anna

Anna decided to take early retirement at the age of 61 when her mother became increasingly ill after a stroke and a fall. She moved in with her mother to care for her. She has a small pension, but also decided to draw down a lump sum from her private pension to 'put by for eventualities'. Anna's income is very tight and Carer's Allowance is very valuable to her despite the low amount. If changes were made to the rules for Carer's Allowance, Anna may miss out.

## Who gets Carer's Allowance?

705,720 carers from age 16 onwards receive Carer's Allowance. A further 411,060 have underlying entitlement but are not paid the benefit because they already receive another income replacement benefit, such as the state pension or Income Support.<sup>5</sup>

72% of people who receive the benefit are women – and this has been the case ever since the benefit was first introduced.<sup>7</sup> Because entitlement to Carer's Allowance positively contributes to many women's pensions, any changes to Carer's Allowance disproportionately risks affecting women's often already very poor income in retirement.

689,730 people under 65 claim Carer's Allowance.<sup>8</sup> 165,000 carers in receipt of Carer's Allowance and who are under 65 also receive Income Support.<sup>9</sup>

Those not receiving Income Support have lower than average incomes, according to a series of different research reports. They might be people who have a very modest pension income, have a small amount of savings, or a partner in work.

37% of people claiming Carer's Allowance have received the benefit for 5 years or over. Only 18.2% of claimants have been claiming the benefit for a year or less.

Over the years, the numbers claiming Carer's Allowance have risen steadily yet research has suggested that the take-up rate has remained more or less constant at about 65%.<sup>10</sup> Carers UK estimates that around £1bn of Carer's Allowance goes unclaimed each year.<sup>11</sup>

In a survey seeking to understand more about Carer's Allowance claimants on behalf of the DWP in 2009, University of Leeds researchers found that those in receipt of Carer's Allowance only claim the benefit at a particular difficult juncture of caring. Often they had no choice but to give up work to care and there was some reluctance to claim.

The Report stated:

*“Most respondents had been caring for a considerable time, very intensively, and in difficult financial circumstances. The onset of care had involved a period of difficult and stressful adjustment, often resulting in feelings of low esteem and poor health. Carers in the study were providing many different types of care, ranging across the full spectrum from personal care to practical assistance; many provided many different types of support. Most were caring for a sick or disabled person who was their child, parent or spouse/partner, and there were some significant differences in the needs and experiences of these groups.*

*“The majority of carers said they used Carer's Allowance for regular household expenditure (e.g. using it for utility bills, food or regular transport costs).*

*“As Carer's Allowance claimants are required to be providing 35 or more hours of care per week, all were caring for someone full-time, many caring for over 50, or over 100 hours per week. Only a very small number were also in paid employment, mostly in low paid part-time work...”<sup>12</sup>*

Other research by the University of York on behalf of the DWP looks at understanding more about households receiving Carer's Allowance. The report stated:

*“Without Carer's Allowance, some respondents said that they would have to cut back on food, fuel or transport costs. Some carers also suggested that without Carer's Allowance they would have to cut back on their caring responsibilities or give up caring altogether to seek paid work. Other qualitative comments from carers suggested this would result in huge social care bills for social care and additional costs for the NHS.”*

The research also found that:

*“Carer's Allowance has a high symbolic value. It gives people status as a carer and reduces the stigma in terms of people who had to rely on social security benefits.”<sup>13</sup>*

<sup>6,7,8,9</sup> As of November 2014, latest data available – cases in payment DWP tabulation tool

<sup>10</sup> Richard Berthoud, The take-up of Carer's Allowance: A feasibility study, DWP Working Paper no. 84, 2010.

<sup>11</sup> Carers UK (2014) Need to Know: Transitions in and out of caring: the information challenge

<sup>12</sup> Gary Fry, Benedict Singleton, Sue Yeandle and Lisa Buckner, Developing a clearer understanding of the Carer's Allowance claimant group, University of Leeds for the Department of Work and Pensions, 2009

<sup>13</sup> Gillian Parker, Caroline Glendinning, Anne Corden, Annie Irvine, Sue Clarke, Household finances of Carer's Allowance recipients, July 2014, Research Report no. 875, Social Policy Research Unit, University of York on behalf of the Department for Work and Pensions.

# Cutting Carer's Allowance: the implications

## The policy context

Carers UK carried out the Caring and Family Finances Inquiry in 2012 and published the findings in February 2014 – having involved over 4,000 carers throughout the UK to provide experiences and evidence for the report. That report called for an improvement in the level and operation of financial mechanisms supporting carers, and investment in support that enable them to return to or remain in work. Government raised the earnings threshold in April 2015 from £102 per week to £110 per week, which was welcomed by Carers UK.

Due to different policies implemented between 2010 and 2015, our research suggests that likely expenditure on carers' benefits is already being reduced by around £1 billion cumulatively over a five year period: 2011 to 2018.

This includes:

- a reduced number of carers able to claim Carer's Allowance because of changes to disability benefits
- changes in uprating i.e. change from Retail Price Index to the Consumer Price Index
- reductions in housing and council tax benefits<sup>14</sup>

Carers are well aware of the Government's wish to find savings in public finances, including looking at a potential £12 billion in cuts. Media reports before the election about potential cuts to Carer's Allowance suggested Carer's Allowance could be restricted to those in receipt of Universal Credit, suggesting that 40% of carers claiming the benefit could miss out – that's an estimated 250,000 carers. In the run up to the Emergency Budget on 8 July 2015 and then on to the Comprehensive Spending Review, carers clearly want to make the point that Carer's Allowance is critical to them and the sustainability of their caring role.

*"[People think] 'Oh well, if you're claiming benefits you've never worked, you've never done anything', rather than 'actually, we understand that families' lives change and sometimes you are hit from behind with a hammer and it knocks your life apart, and actually we need to support you while you get to this new stage'. And I think that Carer's Allowance, to a certain extent, recognises that you're doing something."*<sup>15</sup>

Carers in Scotland are also aware that decisions on spending on carers' benefits could affect how much money is then allocated to Scotland when powers are transferred under the Scotland Bill. The Bill includes a power for the Scotland Government to create their own carers' benefit in the future.

With a 31% compound reduction in adult social care funding over the last few years<sup>16</sup>, the pressure on local government funding is leading to care and support services being withdrawn or rationed. According to Carers UK's latest State of Caring Survey in 2015, one third of carers responding had seen a change to their services in the last year and 42% of those had seen cuts or increased charges.<sup>17</sup>

The last Government introduced the Family Test – the expectation that Government policy would have its impact on family life tested to see whether it strengthened family life, including caring relationships. It is vital that the Emergency Budget is tested against this principle.

<sup>14</sup> Carers UK (2014) Caring & Family Finances Inquiry

<sup>15</sup> DWP (2014) Household finances of Carer's Allowance recipients

<sup>16</sup> Carers UK (2015) State of Caring Report

<sup>17</sup> ADASS Budget Survey 2015

“

I am worried about the future and how we will manage to pay bills if our income diminishes and my husband has to receive more care or go into a care home.

”

## The implications

The value of the unpaid care provided by families every year is over £119 billion but without support, caring can have a devastating impact on the health, wellbeing and financial security of families.<sup>18</sup> If adequate financial and practical support is not in place, the sustainability of the unpaid care which the NHS and Social Services rely on is in jeopardy.

Our research with carers suggests that there are several outcomes which will arise from reducing the number of people entitled to Carer’s Allowance, including:

- giving up caring to work and placing the person cared for into care
- increased hospital or emergency care visits
- inability to pay bills, further financial hardship
- increased Employment Support Allowance, Job Seeker’s Allowance and Universal Credit claimants within a short period of time
- increased physical and mental ill-health, through further decreased financial resilience
- increased lack of self-worth from a lack of recognition
- isolation from friends and family

Carers UK’s research found that six in ten carers said that they had reached breaking point because of their caring role.<sup>19</sup> The research also found that 45% of all carers responding said their financial circumstances were affecting their health – rising to 54% amongst those who had reached crisis point.

A quarter of those who reached breaking point required medical treatment as a result. Unless emergency plans have been put in place, family members, social care services and the NHS are often left scrambling to put in place emergency care arrangements. For 1 in 9 carers who reached breaking point, the person they cared for had to be rushed into hospital and emergency care or social services had to step in to look after the older or disabled person whilst the carer recovered. Not only does this often cause disruption and distress for the person needing care and huge worry for the carers, it is also extremely costly for emergency services.

The NHS also needs the population to be healthier in order to achieve the £22 billion of savings needed over the next four and a half years, as set out in the Five Year Forward View. Most older and disabled people want to live at home and remain in the community. Families help them to do this. Reducing the number of Carer’s Allowance recipients will increase ill-health of carers



Six in ten

**60%**



carers said that they had **had reached breaking point** because of their caring role.

<sup>18</sup> Carers UK & University of Leeds (2011) Valuing Carers

<sup>19</sup> Carers UK (2014) Breaking Point

and potentially the health and wellbeing of the disabled or older person too. Social isolation can be a particular problem for those struggling financially as the costs of socialising are often the first thing that carers cut back on.

When money is tight it can be impossible to find the money for replacement care or even a coffee with friends or the bus fare to attend a support group. In fact, three quarters (73%) of carers responding to Carers UK's State of Caring Survey in 2013 said that they were cutting back on spending to see friends or family and 43% were reducing costs by using the phone less, making it much harder for these carers to stay socially connected.

As it is currently paid, Carer's Allowance is a gender positive benefit. Women still take on the majority of caring roles, are more likely to do so at working age and are more likely to care for longer. Carer's Allowance protects many women's basic incomes and pensions. Without it, women in particular are likely to see a significant impact on their long-term financial security.

In terms of demographic change, it leaves a dilemma over who will provide care in the future. With a rising population of older and disabled people, and shrinking investment in social care, families are increasingly having to step in and fill the gap. The Government needs families to do this to 'balance the books', but reducing support for carers risks families deciding they cannot take on a caring role without adequate back up.

“

The Government should accept, acknowledge and reward carers for the fact that they save the nation far more than they cost - putting our old folk in homes would be an easy option for us but would cost the nation a fortune. Why not reward those who care in their homes instead of making us feel like beggars?

”



## John

John cares for his mother with dementia. After a job consulting on complex engineering projects, he worked closer and closer to home, reducing pay, reducing hours until he left work altogether.

He was unable to find good quality care that he could rely on to support his mother whilst he worked. He has been in receipt of Carer's Allowance for nearly three years now. He has a small pension from his work that he's drawn down early because his finances were so dire.

John finds caring very stressful. He feels that society doesn't understand men caring as much as it does women. He's exhausted as his mother is often disturbed and wandering during the night. He has not had a break now for nearly four years because he finds it hard to find the right care - he had a bad experience before, and feels that respite care could make life worse for his mother and for him. He lost touch with friends and he has already had one nervous breakdown. If John was to lose Carer's Allowance, his future would be bleak. Yet if access to Carer's Allowance were restricted, he could miss out.

# Recommendations and next steps

The Government's manifesto promised to 'increase support for full-time carers'.<sup>20</sup> In order to do this, carers must retain Carer's Allowance. It goes some way to recognise the huge contribution that carers make and provides essential income for many families who, without it, would struggle further with the daily costs of living and the higher costs of disability, ill health or old age.

A number of measures must be taken to end the financial hardship that too many carers currently face and improve the support that carers currently receive. Both the Government's Manifesto and its Family Test are important parameters within which the Government should consider any future changes to carers' benefits.

Carers UK published a Carers' Manifesto prior to the election, based on thousands of carers' views and experiences. We called on all political parties to provide a new deal for carers:

- 1** Alleviating carers' financial hardship must be a priority
- 2** There must be a cumulative impact assessment where welfare changes are concerned.
- 3** Carers need an increase in the value of Carer's Allowance
- 4** The earnings threshold for Carer's Allowance should increase automatically with increase in the National Minimum Wage
- 5** There must be a carer income guarantee, to ensure that carers do not fall into poverty and their benefits do not fall further behind the cost of living.
- 6** Changes must be made to help carers return to and remain in work so that they don't end up in long-term financial hardship. Carers say that the way Carer's Allowance operates makes it hard for them to do this and the essential social care is not always there to help them stay in work.

<sup>20</sup>The Conservative Party Manifesto 2015



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