This is a report to government. The Task Force membership comprised representation from central and local government, professional bodies and third sector organisations. A full list of members can be found attached at Annex 1.
1. Introduction and background to the Income Taskforce

1.1 In 2007, the Government launched a major review of its 1999 Strategy for Carers. Led by the Department of Health (DH), four taskforces were set up to consider different elements of the review:

- Health and social care;
- Equalities;
- Employment;
- Income.

1.2 The terms of reference of the Income Taskforce were:

- To review the income related aspects of the 1999 Prime Minister’s carer strategy with a view to identifying what has already been achieved through various government initiatives since 1999 and to provide evidence of outcomes and change;
- To make recommendations for income-related revisions to the strategy based on sound evidence, good practice and taking account of the best interests of those with caring responsibilities.

1.3 The Income Taskforce, co-chaired by Bruce Calderwood (Department for Work and Pensions [DWP]) and Lisa Harker (Co-Director, Institute for Public Policy Research, and freelance), included external experts as well as DWP membership (a full membership list is at Annex 1).

1.4 The Taskforce met as a group seven times between August 2007 and April 2008. In addition, many members took part in workshop-based discussions on three occasions during October-November 2007. These discussions included identifying the detail of specific types of options, their potential impact and trade-offs.

1.5 The Income Taskforce considered how the strategy could include improvements to carers’ incomes in order to enhance the choices available to carers. The Taskforce considered a range of issues including benefits and tax credits, incomes in retirement and other non-social security financial support.

1.6 In its discussion of non-social security matters the Taskforce considered concessions for different groups of people. These included travel concessions, assistance with learning (including childcare costs whilst studying), council tax discounts and VAT relief. Given feedback from the consultation conducted by Opinion Leader (an independent market research company commissioned by DH) it was decided to focus primarily on improvements to benefits paid specifically to carers. Further work would be needed to investigate non-social security concessions, which could be picked up by the Standing Commission on Carers.
1.7 This report is an account of the discussions and findings of the Income taskforce. The group enjoyed productive joint-working and co-operation and the Taskforce shared a common understanding of many of the issues and reached many joint conclusions. Inevitably, occasionally, the groups and organisations represented had different priorities. Where this was the case, this report has tried to represent the majority view.
2. The vision for carers

2.1 The vision for the refreshed National Carers' Strategy is that, in ten years' time, carers will be recognised and valued as being fundamental to strong families and stable communities. Support will be tailored to meet personal needs enabling carers to maintain a balance between their caring responsibilities and a life outside caring, whilst enabling the person they support to be a full and equal citizen.

2.2 By 2018:

- Carers will have the integrated and personalised services they need to support them in their caring role;
- Carers will be able to have a life of their own alongside their caring role;
- Carers will be supported so that they are not forced into financial hardship by their caring role;
- Carers will be supported to stay mentally and physically well;
- Young people will be protected from inappropriate caring and have the support they need to learn, develop and thrive, to enjoy positive childhoods and to achieve against all the Every Child Matters Outcomes.

2.3 The vision and outcomes of the carers' strategy is one part of a wider vision for the future based on the seven outcomes for adults contained in the 2006 White Paper “Our health, our care, our say”:

- Improving health and well-being
- Improving quality of life
- Making a positive contribution
- Choice and control
- Freedom from discrimination
- Economic well-being
- Personal dignity

2.4 The future for carers is also linked to provision for the disabled people they support. Initiatives such as the “Putting People First” Concordat the Independent Living Strategy and the Care and Support consultation are at the forefront of the move across Government towards a single community based support system focussed on the health well-being of the local population. The Carers Strategy is another major part of this move towards providing better care and support for individuals and families. This should include both carers and the disabled person.
3. The vision for welfare reform

3.1 The vision for welfare reform in the longer term centres on a more active approach and a simpler system. This includes replacing a series of separate benefits with a single benefit for people of working age.

3.2 The government has developed five principles for reforming the benefit system:\1:
   a. Promote work;
   b. Value for money;
   c. Clear obligations;
   d. Straightforward rules;
   e. Fair treatment.

3.3 In the longer-term, the Income Taskforce has concluded that the current structure of benefits for carers should be reviewed within the context of wider welfare reform, the fundamental review of the care and support system and not in isolation. Part of this long term review should include a discussion about the purpose and rationale of a benefit for carers –

For Example should it be:

- An income maintenance payment;
- A payment as ‘recognition’ for caring; or
- A payment for any additional costs incurred by carers?

Also should account be taken of such things as:

- The intensity and level of care;
- The numbers of people being cared for;
- The length of care?

3.4 The Taskforce recognised that the future of carers’ benefits should lie in greater integration with benefits and support for other working age people, as well as providing better support for carers of pension age. Most members of the Taskforce could see no reason to exclude carers from an integrated benefit system provided the rules followed some key principles. These include a recognition of the caring role; that carers' circumstances are very diverse, and supporting those who want to combine work with caring.

3.5 The short term changes proposed by the Taskforce, discussed in section 10 below, should therefore be considered in the context of the longer term vision for working age benefits, as well as providing an opportunity to address some of the key concerns of the current system. These short term changes, if adopted, would act as stepping stones towards longer-term reform aims.

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1 set out on page 99 of ‘Ready for Work’ – the government’s response to the Freud review
4. Current benefits and tax credits system for carers

Carer’s Allowance

4.1 Carer's Allowance is payable at the basic rate of £50.55 a week (from April 2008). Its purpose is to help maintain the income of someone who has given up the opportunity of being in full time paid work to provide care for a severely disabled person.

4.2 The main features are that:

- The carer must spend at least 35 hours each week providing care, and the disabled person must be getting either:
  - The highest or middle rate of the Disability Living Allowance care component, or
  - Attendance Allowance, 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
  - An allowance under the Pneumoconiosis, Byssinosis and Miscellaneous Diseases Benefit Scheme.

- Carers Allowance overlaps with national insurance based benefits, so is often not paid even though the carer has entitlement to it. This creates a situation called ‘underlying entitlement’.

- Carers Allowance counts as income when means-tested benefits are calculated, although this is partially offset by the use of a carer premium (see below).

- A carer can earn up to £95 a week (since October 2007) after deduction of allowable expenses. However, carers who receive income support and/or housing and council tax benefit will see a reduction in those benefits when earnings go above £20 a week.

- A National Insurance Class 1 credit is generally awarded for each week Carer’s Allowance is paid but not after a person has reached pension age;

- Under pension age carers entitled to Carer's Allowance are also credited into the State Second Pension scheme (except married women who have elected to pay reduced-rate contributions). Credits are not awarded after a person has reached pension age.

Extra amounts for carers in income-related benefits

4.3 Entitlement to Carer’s Allowance gives a carer access to:
• The **carer premium** in Income Support, income-based Jobseeker’s Allowance, income-based Employment and Support Allowance (from October 2008), Housing Benefit or Council Tax Benefit, at £27.75 a week (from April 2008); Or

• The carer’s **additional amount** in Pension Credit; extra money with their Pension Credit provides, or contributes to, a guaranteed income of £124.05 a week [for a single person and £189.35 for a couple]. For a person with caring responsibilities an extra £27.75 is added to this guaranteed level of income.

**Tax credits**

4.4 Carers Allowance counts as income when tax credits are calculated. There is no tax credit specifically for carers, or any recognition of additional costs arising for carers, though carers can claim tax credits under the usual rules. Working Tax Credit is usually only payable where a carer is doing paid work for more than 30 hours a week, unless the carer has children, or is disabled, or is over age 50, when the threshold for Working Tax Credit is working for 16 hours a week.
5. Improvements since the last carers’ strategy in 1999

5.1 Since 1999, the government has:

- Increased the amounts payable to carers in income related payments and Pension Credit by £10 over and above the annual uprating (2001);
- Progressively raised the earnings limit in Carer’s Allowance from £50 (2001) to £95 (2007);
- Extended entitlement to Carer’s Allowance for up to 8 weeks after the death of the person being cared for, to help carers while they adjust to the change (2002);
- Changed the rules for Carer’s Allowance so that people who became carers after reaching age 65 can claim (2002). This has resulted in over 200,000 carers now being entitled to the additional amount in Pension Credit;
- Introduced a shortened version of the claim form for carers in receipt of State Pension with ‘underlying entitlement’ to Carers Allowance (2006).

5.2 From April 2010 a National Insurance Carer’s Credit will be introduced to protect the State Pension rights of people under pension age who care for a severely disabled person for at least 20 hours a week. This will be based on a system of verification by a health or social care professional if the disabled person is not getting a ‘qualifying benefit’ (see 4.2 above)

5.3 Despite these initiatives, evidence from the consultation and the Taskforce analysis has clearly highlighted the need and ambition for further improvements.
6. Problems with the current system

6.1 The Taskforce identified that, overall, the current system of benefits for carers:

- Does not succeed in keeping all carers out of poverty, especially those with more substantial caring responsibilities;
- Is complex to understand and navigate;
- Plays a limited role in minimising financial hardship;
- Does little to support working age carers to remain in work, or help carers join or rejoin the labour market;
- Offers some recognition of caring, but the low levels and claim procedures can be seen as undervaluing carers;
- Appears unlikely to be an incentive to provide care because of the low level;
- Fails to take account of the diversity or intensity of caring.

6.2 Specifically, Carer’s Allowance:

- Does not pay different rates for the type or intensity of care nor for the numbers of people cared for, and so does not work towards alleviating poverty nor serve to recognise the different caring roles;
- Has a complicated and confusing process for claiming the carer increase in Pension Credit and other means-tested benefits, making navigation around the system confusing and frustrating;
- Is a non-means tested benefit and so is not focused on minimising financial hardship;
- Is paid at a lower level than other ‘income-maintenance benefits’, again failing on the poverty and recognition criteria while also providing little incentive to care;
- Has a cliff-edge earnings limit and a full-time education rule which do not support carers staying in work, trying to increase their hours, nor in gaining skills/qualifications for future employment.
- By being tied to the benefits that the cared-for person receives, and by having a 35 hr rule for the care provided (unlike the 20 hr rule for Carers Credit) Carer’s Allowance fails to ‘reach’ a significant number of carers. This is a particular concern for people who may have to give up employment to care for a recently-disabled person.
- Has overlapping benefit rules that can be confusing and make it appear that there is no recognition of an individuals caring responsibilities, especially to older carers in receipt of State Pension.
7. Evidence of the need for change

**Limited role in preventing poverty**

7.1 One of the problems identified by the Income Taskforce is that benefits for carers play only a limited role in preventing poverty and hardship, and the level of support payable is too low.

7.2 As a group, carers are no more likely to be in poverty than the general population (see chart 1). However there is variation across those with different caring responsibilities. For example carers who care for more than 50 hours a week and are not in receipt of Carer's Allowance, have a higher chance of being in a low-income household than the general population.

![Chart 1: Risk of living in a low-income household](chart_url)

Source: Households Below Average Income Series 2004/05

7.3 Carers also tend to have a lower income. Chart 2 shows that carers are more likely to be in the second lowest and middle income bands than the general population.
Source: Family Resource Survey 2005/06, before household costs.

7.4 Carers providing more hours of care are less likely to be in paid work and so have a higher risk of poverty. Chart 3 shows that around 7% of households where the carer is in work are at risk of being in poverty, as compared to 30% of households where the carer is not in work.

Chart 3: Proportion at risk of relative poverty by employment status

Source: Households Below Average Income Series 2004/05

Limited support to balance paid work and caring

7.5 The Income Taskforce was also concerned that arrangements for financial support for carers did little to enable carers to retain or undertake paid work if they wish to do so, or to improve their prospects of work in the longer term:
There is a clear link between poverty and ‘worklessness’. For carers, this link continues to hold – 7% of households where the carer does combine work with care live in income poverty, compared to 25% of households where the carer does not work;

The employment rate of working-age carers is approximately 65%, around 10 percentage points lower than for the general population; the employment rate of carers decreases with an increase in the number of hours of care;

When in work, carers can suffer a wage penalty; this may be because of reduced promotion/advancement opportunities, or the need to take up a more flexible but lower-paid position in a more elementary occupation;

A far higher proportion of women carers who care work part-time when compared with men, consistent with the pattern across the wider population;

Those in paid work and caring for more than 20 hours a week are more likely to be in low-paid elementary and administrative occupations;

Less than a quarter of working age Carer’s Allowance recipients are in employment².

7.6 Under the current system Carer’s Allowance, worth £50.55 per week, is available to carers with income below the earnings threshold of £95 per week (Just over 17 hours work at the current National Minimum Wage for those aged 22 and over). Above £95 per week the entire benefit is withdrawn. There is no distinction between whether the carer is the lone income earner in the household or whether they have a partner on a high income. This differs from income-related benefits and tax credits, which consider household rather than individual income as the testing criteria. Thus the situation can arise that an out of work carer (or one with earnings less than the earnings limit) with a high earning partner can receive Carer’s Allowance, whereas even a low-income working single carer cannot.

7.7 The fact that CA is immediately withdrawn above an income of £95 per week has implications for work incentives. Diagram 4 illustrates the cliff-edge faced by individual carers as they move off CA. If a carer has a partner on a gross weekly income of £150 (net income of £138), then the cliff-edge created by the withdrawal of CA at £95 of earnings is greater still, since the family is no longer entitled to the Housing Benefit that off-sets the income drop for an individual.

² Family Resources Survey 2005/06
7.8 Mothers of disabled children are more likely to have longer periods away from the labour market compared to other groups. This has implications for outcomes in future. Long periods of detachment mean that carers lose confidence in returning to the workplace (despite the fact that many skills that carers have are of significant value to employers), and therefore, if the caring spell ends, economic inactivity may be likely. Hence reforms to enable carers to improve their skills and/or to balance more paid work with their caring responsibilities should enable carers to have more labour market choices.

7.9 It is with these issues in mind that the work of the Income Taskforce linked strongly with the work of the Employment Taskforce.

**Holidays and breaks**

7.10 A further issue identified by the Income Taskforce was the higher risk of poverty faced by those with more substantial caring responsibilities, and the importance for this group of being able to take a break:

- An increasing proportion of carers (34%) want but cannot afford to take at least a week’s holiday; carers are more likely to find holidays unaffordable than non-carers;
- Carers who are spending many hours a week caring or who have spent long periods on benefit are most likely to need a break from caring;

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3 Arksey, H et al, 2005, Carers’ Aspirations and Decisions around Work and Retirement, DWP research report 290
4 Family Resources Survey 2005/06
2005-6, 142,000 carers in England received services specific to carers, which includes respite breaks;

- The availability (or otherwise) of respite care can also influence employment opportunities for carers; less than a quarter of working carers had access to respite services.\(^5\)

**Extra costs of caring**

7.11 The Income Taskforce also discussed the extra costs that can be associated with caring, including:

- Increases in expenses for things such as fuel, transport,
- Increased cost of living due to lack of time due to caring e.g. paying for people to do work, taking taxis rather than buses to save time.
- Lost financial opportunity costs e.g. current and future employment prospects and loss of ability to save for retirement

These costs would vary hugely from carer to carer, and would be difficult to quantify. Whilst in many cases these costs would be shared with the person being cared for, they are still an important consideration for carers.

**Evidence from the consultation**

7.11 Findings from the Opinion Leader consultative events underline that improving the financial position of carers is one of the key areas prioritised by carers above other types of support, and was seen as making the greatest positive difference to carers’ lives.

7.12 There is also widespread support for ensuring that carers have regular planned breaks to provide carers with time away from the emotional and physical demands of caring. Planned breaks also enable carers to have access to activities which they are unable to access whilst providing care e.g. holidays.

7.13 Carers report a lack of information and financial help\(^6\) and so how the system is delivered is an important prelude to wider structural reform. The Income Taskforce also considered that some specific delivery issues could be tackled in advance of any structural reform. This included extending the remit of the Carer’s Allowance Unit to deal with Income Support and/or Pension Credit claims by carers. This could help to tackle the ‘underlying entitlement’ issues and provide an improved claim process.

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\(^5\) Yeandle et al, 2007, Managing Caring and Employment, report no 2 CES report series
\(^6\) Opinion Leader, New Deal for Carers, Findings from stage two of the adult and young carers’ engagement programme, January 2007
8. Objectives for change

8.1 In considering these problems and the available evidence, the Taskforce agreed the following objectives, with the first seen as an overarching objective:-

1. To make a positive difference or improve the life of carers;
2. To contribute towards keeping carers out of poverty;
3. To minimise financial hardship faced by carers;
4. To facilitate carers remaining in paid work where they are able to do so;
5. To assist carers to join or re-join the labour market;
6. To recognise carers’ contribution to society;
7. To have a system which is easier to understand and navigate;
8. To remove existing barriers and disincentives in order to enable people to provide care.

8.2 Associated with these, the Taskforce identified criteria to be considered when framing options:

- Maximises choice for carers;
- Value for money;
- Is no more complex for individuals;
- Is no more complex to administer;
- Alleviates/prevents hardship;
- Recognises carers’ contribution to society;
- Is not a disincentive to paid work;
- Does not result in reducing provision of care services to carers or disabled people;
- Takes account of carer diversity;
- Has support from carers;
- Has support from disabled people;
- Has enough evidence about its effectiveness.

8.3 Further discussions highlighted that the most important of these were: preventing hardship, represents value for money, does not lead to disincentives to paid work and does not result in reduced provision of support to disabled people or carers.

8.4 The Taskforce recognised the difficulty of finding one solution that meets all the objectives and principles and that will satisfy all carers. Because carers are such a disparate group, some objectives and principles may be of greater priority to some groups, whilst others may rank different objectives and principles more highly. Inevitably there will be the need to carefully balance the Taskforce’s objectives, the Government’s principles and the carer’s priorities. This may require a mix of options, with various trade-offs.

8.5 The Taskforce also considered international comparisons and good practice examples from elsewhere. These included different models of
financial support for carers, ranging from paying carers via the disabled person (to enable them to employ a carer directly or through an agency), or paying carers as employees of social care agencies. The taskforce’s recommendation for an annual grant came from observing a similar provision in Ireland, where a ‘respite care grant’ is payable.

8.6 Also mindful of the wider vision for carers and the long term vision for welfare reform (see sections 2 and 3 above) the Taskforce has considered a range of options from short term changes to the existing system, through to medium and longer term reform. Its preferred approach is two-fold:

I. To have more substantial reform that fits with longer-term changes to the benefit system;
II. To address, in the short-term, some of the key problems with the benefit system for carers;

8.7 In the short term changes can be made which address problems with the current system. This has the advantage of introducing some changes relatively quickly pending further reform.

9. Options considered but not recommended to be taken forward

9.1 Discussions within the Income Taskforce covered a range of proposals. Some of these were not recommended to be taken forward at this stage, either because they were too limited, or because of the potential negative impacts on carers, or because they are considered to be medium-longer term reforms. The options considered but not recommended at this point are:

a) Re-packaging carer benefits;
b) Means-testing Carer’s Allowance;
c) Single benefit with contributory or universal and means-tested elements;
d) Transferring resources to social care;
e) Statutory carers pay;
f) Tax credits.

9.2 The broad range of options considered by the Taskforce are outlined below, followed by a description of the initial proposals recommended, commenting on consistency with desired outcomes of the carers strategy and wider equality outcomes.

9.3 Repackaging of carer benefits

9.3.1. This could involve a single claims process for Carer’s Allowance and income-related benefits, which might streamline the claims process and

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increase take-up. However, it would do nothing to resolve the problems with the benefits system. A further re-packaging could include extending the remit of the Carer’s Allowance Unit to include taking claims for Income Support from carers.

**Consistency with outcomes for the carers’ strategy**

9.3.2. This option is likely to have limited impact on the desired outcomes of the carers’ strategy as little is being changed. It may have the potential of increasing take up by ethnic minority carers but is otherwise unlikely to have major equality implications.

**Consistency with the Government's principles for reforming benefits**

9.3.3. This option is unlikely to progress Government principles, especially value for money, as there are no financial gains for carers.

**Taskforce views**

9.3.4. The Taskforce believes that, whilst this option could be part of a wider package of reforms, on its own it is too limited.

**9.4. Combine Carer’s Allowance and Income Support/Pension Credit into means-tested support for carers**

9.4.1. This could involve making all payments to carers means-tested. This might be easier for carers to understand compared with the current system; but the principal problem is that Carer’s Allowance is awarded to individuals, whilst income-related benefits are based on household income. A strong justification would be needed to introduce an income-related benefit for carers assessed on an individual basis. A particular drawback is that households might have to make a choice as to which benefit to claim, and the complication of better-off calculations would arise.

**Consistency with outcomes for the carers’ strategy**

9.4.2. This option could go against the carers’ strategy outcome of recognising carers, though it might help the poorest carers (but only at the point when there is no other income), rather than preventing poverty, which Carer’s Allowance at present may do. Means testing could have negative implications for working age women, as it is likely to exclude from entitlement people with working partners (who are more likely to be women) and those with savings above the capital limit.

**Consistency with the Government's principles for reforming benefits**

9.4.3. This could promote fair treatment by recognising genuine differences in financial need, and could represent good value for money. If accompanied by a higher basic rate for carers, this could amount to fair treatment by recognising the special circumstances of carers. It might also promote work if
treatment of earnings is more generous than the £20 weekly income disregard for carers under existing Income Support rules – for example a higher rate similar to the £88.50 weekly ‘permitted work’ arrangements within Employment and Support Allowance; or a staged disregard (100% of earnings up to a limit and then a percentage taper above that).

Taskforce views

9.4.4. The Taskforce felt that means testing could lead to some groups of carers losing benefit in order to pay for more benefits to the poorest carers.

9.5 Combine Carer’s Allowance and Income Support into a single benefit for carers, with contributory/universal and income-related elements

9.5.1. This could provide non-means tested help during shorter breaks from employment to meet the care needs for example of someone who was terminally ill or badly injured, and means-tested help for other carers. One version of this option could be a single benefit along the lines of the Employment and Support Allowance, including linking benefits with ‘wrap around’ support (though with a different approach to work related conditionality).

Consistency with outcomes for the carers’ strategy

9.5.2. A single benefit along the lines of the Employment and Support Allowance, with access to support, could have potential to meet some of the desired outcomes for carers, such as improving services and choice and control. A separate benefit for carers could maintain recognition, but only for a time limited period. As well as the potential impact of means-testing noted in the previous option, contribution conditions could further disadvantage certain groups. For example, these conditions are more likely to exclude people without a recent work record (which may include women, some ethnic minority groups who are more recent entrants to the UK; some severely disabled people whose impairments began at an early stage in life).

Consistency with the Government’s principles for reforming benefits

9.5.3. The contributory model would not be simple because of the contribution conditions, though other versions may be simpler. This contributory model could promote work to the extent that it provides support to carers with a recent work record, who might be more able to continue in work with reduced hours or return to the job market part-time. The Employment and Support model could be one way of moving towards greater coherence in the benefits system, including greater consistency with a more active approach to benefits, and in so doing, could also help promote work. This option overall may be seen as fair treatment in some respects (having common rules for all carers) but not others (not recognising genuine differences in needs). However the Taskforce had doubts as to whether simply combining benefits could be cost-effective or offer value for money.
Taskforce views

9.5.4 The Taskforce saw no case for contribution conditions since carers contribute to society by caring and many may not have paid National Insurance contributions recently. There was some interest in the Employment and Support Allowance model but this was considered a potential candidate for longer term reform rather than shorter term improvements.

9.6. Transfer of resources to social care

9.6.1. This option could involve abolishing Carer’s Allowance and other dedicated benefits for carers, and transferring the DWP budget to DH and the devolved administrations to be used for social care purposes (for example paying the equivalent of Carer’s Allowance into the disabled person’s Individual Budget to enable them to pay the carer direct). Carers would cease to have social security entitlements in their own right, being reliant on more discretionary systems or individuals instead.

Consistency with outcomes for the carers’ strategy

9.6.2. By removing social security entitlements this option could reduce the level of choice and control carers have over their incomes, and lead to a risk that carers may be left in poverty. It may also reduce recognition of carers through removing benefits targeted at ‘carers’.

Consistency with the Government’s principles for reforming benefits

9.6.3. Abolishing a specific benefit for carers would remove the opportunity to recognise the contribution carers make to society and so reduce the social justice role of the benefits system. It could also be less clear what alternative benefit someone would need to claim, and so could be out of step with Government principles for straightforward rules, clear obligations and fair treatment.

Taskforce views

9.6.4. The Taskforce considered that the transfer of funds to social care would not be an appropriate option, as carers value the sense of entitlement with social security payments that is absent from discretionary social care.

9.7. Statutory carers pay

9.7.1. The Taskforce also discussed the merits of introducing a time-limited ‘Statutory Carers Pay’ during a period of carers leave (similar to Statutory Maternity Pay). This would fit with the proposal for a period of carer’s leave, made by some members of the Employment Taskforce. The aim is to enable carers to remain in employment when faced with a short-medium term period of caring, or could act as a temporary mid-point cushion, between wages
ending and Carer’s Allowance starting, so avoiding the sudden drop in income that comes from giving-up work altogether.

**Consistency with outcomes for the carers’ strategy**

9.7.2. This option could enable carers to have a life outside caring by retaining contact with paid work. It could also enable carers to exercise more choice and control about balancing paid work and caring, whilst also recognising their role.

**Consistency with the Government’s principles for reforming benefits**

9.7.3. As a new proposal, this may add some complexity and so may not promote straightforward rules. It could however be good value for money (through helping carers remain in employment) and clearly should promote work.

**Taskforce views**

9.7.4. Over the medium term the Income Taskforce recommends that further consideration is given to this option as it requires more analysis on impacts/costs, in particular, the impacts on business. Further work would be needed across government.

**9.8. Tax credits**

9.8.1. The Taskforce considered reforms to tax credits to accommodate carers more explicitly as an alternative to introducing an earnings taper in Carer’s Allowance (discussed below).

**Consistency with outcomes for the carers’ strategy**

9.8.2. Reforming tax credits could enable carers to have a life outside of caring by encouraging paid work, and offer carers more choice and control about balancing paid work and caring.

**Consistency with the Government’s principles for reforming benefits**

9.8.3. This option could promote work but would add complexity to the tax credits system, and so would not promote straightforward rules.

**Taskforce views**

9.8.4. Carer’s Allowance and tax credits operate very differently (e.g. Carer’s Allowance is payable on an individual basis whilst tax credits are assessed on a household basis, and contain hours as well as earnings rules). The Taskforce view was that extending tax credits would imply considerable change to Carer’s Allowance so as to make the two systems fit together, and
that implicitly this would involve means-testing Carer’s Allowance, an option which has also been ruled out (see above).

10. Initial proposals on the road to longer term welfare reform

10.1. In the short-term the package of changes discussed by the Taskforce and for which there is broad consensus is:

A. Raising the level of Carer’s Allowance;
B. Raising the carer premium/addition in the means-tested benefits by a comparative amount;
C. Removing the Full-Time Education rule;
D. Introducing a taper in the earnings rule;
E. Introducing an annual grant (in addition to weekly benefit).

10.2. This package does not require all elements to be adopted at once but provides a menu from which one or more may be introduced, as resources become available. It should be noted, however, that all options are expensive and together would represent substantial additional cost.

10.3. Raising the level of Carer’s Allowance

10.3.1. Currently Carer’s Allowance is paid at the lowest rate of any income maintenance benefit. Raising it by around £10 a week would bring it into line with the rate of other income maintenance benefits for people over age 25 (including the personal allowance in Income Support) increasing Carer’s Allowance from £50.55 to £60.50 (April 2008)

Objectives

10.3.2. The intention is to provide better recognition of carers’ contribution to society, and to help avoid financial hardship for carers who cannot qualify for income-related benefits.

Consistency with outcomes for the overall carers’ strategy

10.3.3. Raising Carer’s Allowance should promote choice and control for carers, through increasing their incomes and by being available to carers who are not in work as well as those who can do some paid work. Increasing Carer’s Allowance, which is the principal social security provision dedicated to carers, could also enable carers to be recognised in their role.

Consistency with the government’s principles for reforming benefits

10.3.4. This option could help to promote straightforward rules by aligning the rate of Carer’s Allowance to the level of many other income maintenance benefits (including the personal allowance in Income Support) as a step towards a single working age benefit.
**Impact**

10.3.5. All current/future recipients would gain from higher levels of benefit (except those on Income related benefits unless carer premiums are also raised), and is estimated to expand the Carer’s Allowance caseload by 23,000 over 5 years. Increasing the rate of Carer’s Allowance could promote equality for many women and disabled carers. It could also enable disabled carers and the disabled people they care for to participate more widely in public life. It also presents an opportunity to address under claiming of benefit by people from ethnic minority communities if this increase is accompanied by information and further outreach activity, and addresses poverty among ethnic minority households containing carers or disabled people.

If CA was fully aligned with IS there may be a problem for some carers (those with an additional income that was higher than the carer premium) being ‘floated-off’ the means-tested benefit, and losing the automatic ‘passporting’ that comes from being on IS.

**Cost**

10.3.6. When introduced (year zero) the cost of increasing Carer’s Allowance is estimated to be £130 million, rising to £250 million by year 5.

**10.4. Raising the carer premium/addition in the means-tested benefits by a comparable amount**

10.4.1. A comparable increase in the carer premiums/addition by approximately £10 per week would enable the poorest carers to gain.

**Objectives**

10.4.2. The intention of raising the premiums/addition is primarily to contribute towards keeping carers out of poverty and to minimise financial hardship.

**Consistency with outcomes for the overall carers’ strategy**

10.4.3. Increasing the carer premium/addition could help carers through targeting lower income households and individuals, enable carers to have greater choice and control (through increasing their incomes) as well as offering some recognition through these higher payments.

**Consistency with the government’s principles for reforming benefit**

10.4.4. This option may not promote straightforward rules or promote work if increasing the premium for carers but not for other groups, but may contribute towards fair treatment for carers, especially through targeting the poorest.

**Impact**
10.4.5. The premium/addition caseload could increase by an estimated 65,000 over 5 years. Increasing the rate of the premiums could promote equality for the poorest carers, including women and disabled carers. It could also enable disabled carers and the disabled people they care for to participate more widely in public life. It also presents an opportunity to increase take-up of benefit by people from ethnic minority communities if this increase is accompanied by information and further outreach activity, and addresses poverty among ethnic minority households containing carers or disabled people.

**Cost**

10.4.6. After the first year, the estimated cost of increasing the carers’ premium/addition would be £330 million, rising to £600 million by year 5.

**10.5. Removing the Full-Time Education rule**

10.5.1. This would remove a barrier to carers improving or updating their skills, enabling more carers to improve their future labour market prospects.

**Objectives**

10.5.2. The aim is to promote the acquisition of skills and paid work by providing greater opportunity for carers to obtain qualifications for (re)entry to the labour market.

**Consistency with outcomes for the overall carers’ strategy**

10.5.3. This should promote a life outside caring by removing barriers to education faced by carers wanting to improve their skills and offering a means of greater social interaction. It should also enable carers to exercise more choice and control by enabling them to combine education with a caring role and to help ensure that caring does not compromise physical and mental health by enabling carers to have more opportunity for social contacts and so improve their well-being.

**Consistency with the government’s principles for reforming benefit**

10.5.4. This option might not promote straightforward rules if carers are allowed to study but others (e.g. other Income Support recipients) are not. However it could promote work (by increasing carers’ employability) and may also represent good value for money.

**Impact**

10.5.5. An estimated 11,000 people might gain by being able to receive Carer’s Allowance whilst studying. Removing the bar to full time education
could enable disabled carers to participate in public life, promote equality for ethnic minority carers who are likely to have poorer access to education, and to promote equality for women, for example by enabling those who have been away from the labour market for long periods (such as mothers of disabled children) to gain skills for work.

**Cost**

10.5.6. When introduced (year zero) the estimated cost of removing the full time education rule in Carer’s Allowance would be £30 million rising to £46 million by year 5. The estimated cost in Income Support for carers when introduced (year zero) would be £16 million rising to £25 million by year 5. The estimated total cost (Carer’s Allowance plus Income Support) when introduced (year zero) would be £45 million rising to £72 million by year 5.

10.6. **Introducing a taper in the earnings rule**

10.6.1. This would remove the disincentive effects of the cliff-edge, as shown in Chart 4 above. A taper discussed by the Taskforce as an illustrative example of how such a proposal might work, was a £1 reduction in benefit for each extra £1 of earnings above the threshold. A taper could also provide seamless in and out of work support to carers, with Carer’s Allowance available across a slightly wider income range than now. It would not require carers to claim a separate form of support when moving into work or increasing hours of work. The Income Taskforce saw this as a better alternative to addressing work incentives than making changes to Working Tax Credit.

**Objectives**

10.6.2. To enable more carers to combine paid work with caring by enabling them to remain in paid work where they are able to do so, or to join or re-join the labour market.

**Consistency with outcomes for the overall carers’ strategy**

10.6.3. An earnings taper could enable carers to have a life outside caring by enabling carers to have additional income when doing part time work. It could also enable more choice and control through offering carers a greater incentive to part time work, and also contribute to carers not being forced into poverty by enabling them to gradually earn more without a sudden loss of Carer’s Allowance.

**Consistency with the government’s principles for reforming benefit**

10.6.4. This option might not promote straightforward rules if carers are allowed to undertake more paid employment than others receiving income maintenance payments, and could be more complex to administer. However it
could promote work and may also represent value for money if more carers are enabled to balance paid work and caring.

**Impact**

10.6.5. Using a £ for £ taper as an illustrative example, an estimated 25,000 carers could gain initially from an earnings taper. Changing the earnings rule is more likely to benefit carers who are able to do more hours of work, or who have higher incomes, and those who are not also receiving Income Support, income-based ESA or Pension Credit. Introducing an earnings taper could promote equality for disabled people by enabling disabled carers to participate more widely in the labour market, and promote equality for women through enabling carers to increase their hours or pay, thus contributing towards reducing the gender pay gap.

**Costs**

10.6.6. When introduced (year zero) the estimated cost of introducing a £ for £ taper, for example, in Carer’s Allowance would be £40 million rising to £60 million by year 5. Other tapers with slower reduction rates would be more expensive.

10.7. **Introducing an annual grant**

10.7.1. The Taskforce proposed an annual lump sum grant for carers, not as a substitute for weekly payments but in addition to benefits (and disregarded in the calculation of income-related payments). An annual grant could recognise the need for carers undertaking substantial care to take breaks to maintain their own health and well-being, and to sustain a caring role in the long-term, if necessary. A lump sum payment could be used to fund respite care or an annual holiday for the carer, though there would be no prescription as to how it should actually be spent (similar to Winter Fuel Payments).

**Objectives**

10.7.2. The proposed lump sum payment would be one means of recognising carers’ contribution, and could provide additional financial support to enable carers to take a holiday. It could also help remove existing barriers and disincentives in providing care and make a positive difference to improve the life of carers.

**Consistency with outcomes for the overall carers’ strategy**

10.7.3. An annual grant could enable carers to have a life outside caring by enabling them to pursue other activities, and ensure carers are not forced into poverty by enabling them to use a lump sum to pay for one-off items such as essential household goods or to reduce a debt. It could also help carers’ physical or mental health by enabling them to take a holiday or participate in other social activities. A lump sum could also give carers more choice and
control over their finances as well as offering some recognition to carers through a dedicated grant highlighting the position of carers.

**Consistency with the government’s principles for reforming benefit**

10.7.4. As a new addition to the benefits system this might not promote straightforward rules, but an annual grant itself could be designed to be simple to understand and administer. It could also be a means of enabling fair treatment for carers.

**Impact**

10.7.5. If the annual grant was targeted at all those eligible for Carer’s Allowance an estimated 1.3 million carers would gain. If restricted to carers where Carer’s Allowance is in payment, an estimated 685,000 would gain and if payable only to those entitled but not receiving Carer’s Allowance an estimated 570,000 would gain by year 5. Alternatively it could be targeted at those with more substantial responsibilities. The annual grant could enable wider participation of disabled people in public life and promote equality for ethnic minority carers by enabling money to be spent on culturally specific activities rather than formal services.

**Costs**

10.7.6. Based on a £1,000 annual grant, if payable to all carers eligible for Carer’s Allowance, the estimated cost of introducing a grant would be £840 million in year zero, rising to £1.6 billion by year 5.
### Incomes Taskforce: Recommended package of improvements to carers benefits

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Additional Costs</th>
<th>Winners/Losers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Raise the level of Carer's Allowance (by around £10 a week)</td>
<td>£130 million in the first year rising to £250 million by year 5.</td>
<td>All current/future Carer’s Allowance recipients would gain. Caseload likely to expand by 23,000.</td>
</tr>
<tr>
<td>2. Raise the carer premiums in means tested benefits by a comparable rate (£10 a week)</td>
<td>£330 million in the first year rising to £600 million by year 5.</td>
<td>An additional 65,000 over 5 years, as well as all current premium recipients.</td>
</tr>
<tr>
<td>3. Remove the Full-Time Education rule</td>
<td>Carer’s Allowance could rise by £30 million in the first year rising to £46 million by year 5. Income Support would rise by £16 million in the first year rising to £25 million by year 5 Total cost in the first year would be £45 million rising to £72 million by year 5.</td>
<td>Approx. 11,000 would gain by being able to claim Carer’s Allowance. Approx. 4,000 would gain by being able to claim Income Support.</td>
</tr>
<tr>
<td>4. Introduce an annual grant, illustrative rate of £1,000, to all eligible for Carer’s Allowance</td>
<td>£840 million in the first year rising to £1.6 billion by year 5.</td>
<td>Approx. 1.3m would gain by year 5.</td>
</tr>
<tr>
<td>5. Introduce a £ for £ earnings taper from the current threshold (£95 p/w)</td>
<td>£40 million in the first year rising to £60 million by year 5.</td>
<td>Approx. 25,000 would gain.</td>
</tr>
<tr>
<td>Total Cost of the overall package</td>
<td>Approx. £1.4 billion in the first year rising to £2.6 billion by year 5.</td>
<td></td>
</tr>
</tbody>
</table>

### 11. Conclusions

11.1. The current system of benefits for carers is failing to match up to the government’s general principles for welfare reform. The financial support available to carers should therefore be considered in the context of the longer-term vision for working-age benefits.
11.2 The short-term changes proposed by the Taskforce provide a way to address some of the key concerns of the current system. As far as possible, these changes seek to complement the government’s long-term vision for working age benefits. However, the Taskforce does recognise that the entitlement rules might become more complex and that these options require a potentially significant financial commitment by Government.

11.3 These short-term proposals provide a menu of ‘stepping stones’, which could be used to move towards the long-term destination; a system of carers’ benefits better suited to the needs of carers.
Annex 1: Membership of the Incomes Task Force

Bruce Calderwood – (Co-Chair) Director of Disability and Carers, DWP
Lisa Harker – (Co-Chair) Freelance Policy Adviser/Co-Director, ippr
Angus Erskine – Social Security Advisory Committee
Liz Sutherland – Carer's Allowance Unit, Disability and Carers Service
Kate O'Reilly – HM Treasury
Jonathan Langridge – HM Revenue & Customs
Emily Holzhausen – Carers UK, also representing Crossroads and Princess Royal Trust for Carers
Kate Groucutt – Carers UK, also representing Crossroads and Princess Royal Trust for Carers
Jean French – Carers UK, also representing Crossroads and Princess Royal Trust for Carers
Sally West – Age Concern
Vanessa Stanislav – Disability Alliance
Joanne Bird – Union of Shop, Distributive and Allied Workers (USDAW)
Gary Vaux – Hertfordshire County Council (representing the Local Government Association and the Association of Directors of Adult Social Services)
Norman Cockett – Disability and Carers Benefits Policy Division, DWP
Grant Ferres – Carer’s Strategy and Analysis, DWP
Barry Robinson – Carer’s Allowance Policy Team, DWP
Harry Cunniffe – State Pensions Directorate, DWP