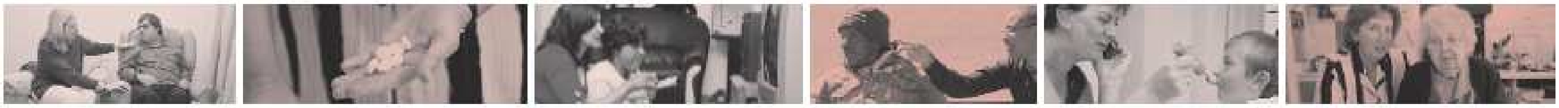
CARERS UK
the voice of carers

Second Reading Briefing



Carers and the Welfare Reform Bill

Summary

Whilst Carers UK warmly welcomed the Government's decision not to introduce a means-test for Carer's Allowance by drawing it into Universal Credit, we have a number of concerns about other measures in the Welfare Reform Bill, in particular:

- The lack of an earnings disregard for approximately 50,000 carers on means-tested benefits being absorbed into Universal Credit could leave those carers worse off in work than they are currently.
- The inclusion of Carer's Allowance within the proposed benefit cap.
- The lack of impact assessment of the effect of the replacement of Disability Living Allowance on carers, and the lack of information on how carers will qualify for Carer's Allowance when the people they care for are moved to the new Personal Independence Payment.

Background

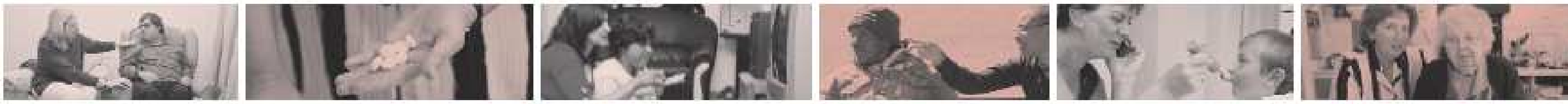
There are 6 million carers in the UK. 72% of are worse off financially as a result of becoming carers[1] because of the combined pressure of low-level benefits, reduced earnings, higher living costs resulting from illness and disability. Many carers' family finances rely on income from carers and disability benefits – changes or reductions to which could have a serious impact on their capacity to carry on caring.

536,000 people are in receipt of Carer's Allowance or the Carer Premium to means-tested benefits, and a further 450,000 have an 'underlying entitlement' to Carer's Allowance which may entitle them to other means-tested benefits. Regardless of entitlement to Carer's Allowance, many families rely on DLA to cover basic living costs, additional care and support, transport, aids and adaptions.

Carers UK research has consistently shown that most carers are financially worse off as a result of caring. Despite contributing an estimated £119 billion to the UK with the unpaid care they provide, carers receive the lowest benefit of its kind and are often in a financially precarious situation:

- 74% were struggling to pay essential utility bills
- Over half were cutting back on food to make ends meet (52%)
- 66% were using their own income to pay for care for the person they cared for
- 54% were in debt as a result of caring[2]

[1] *Real change not short change.* (2007) Carers UK , London.
[2] Of 1,734 carers responding to a survey *Carers in Crisis* (2008) Carers UK



Carer’s Allowance and Universal Credit

Carers UK welcomed the Government’s decision to keep Carer’s Allowance outside the Universal Credit. Drawing Carer’s Allowance into the new system would have resulted in hundreds of thousands of carers facing a means-test on their household income and savings, and the risk of losing the right to £233 a month in Carer’s Allowance and a key recognition of their contribution to society.

The measures set out in the Welfare Reform Bill would mean that:

- Approximately 245,000 carers on Carer’s Allowance will remain outside the Universal Credit.

- Approximately 250,000 carers currently in receipt of the carer premium (an extra amount paid to carers entitled to Carer’s Allowance) to means-tested benefits will be moved onto the Universal Credit and should be entitled to an ‘additional amount’ in Universal Credit, for caring responsibilities. Carers UK does not oppose this in principle, as these carers are already means-tested and could be better off if they are able to juggle work and care, as the Universal Credit taper could mean they able to keep more of their benefit as they earn. However we have concerns that the lack of an earnings disregard for all carers may mean that carers on the lowest earnings are, in fact, worse off in paid work than they currently are.

Earnings disregard

It appears that, under existing plans, certain groups of carers would not be eligible for an ‘earnings disregard’ within Universal Credit, which they currently receive from Income Support and other benefits. Currently, individuals in receipt of Income Support are eligible for a £20 earnings disregard – which allows them to earn £20 per week before their benefit starts to be withdrawn.

Government has indicated that there will be several earnings disregard groups for Universal Credit claimants, ranging from £2,000 - £7,000. These groups are: couples, lone parents and disability, with extra amounts for households with children. The existing Income Support £20 disregard will not exist and the Universal Credit taper would kick in as soon as individuals not in one of these groups begin to earn. The Universal Credit taper will be more generous than the withdrawal rate of existing benefits so individuals in work who fall into these groups (including many carers) should be better off in work. However individuals who fall outside these groups may be worse off in work than they are currently.

Carers who would miss out: Married carers, lone parent carers and carers caring for a disabled person in the same household (a disabled child or partner) would fall into the proposed disregards. However DWP estimates indicate that around 20% of households in receipt of means-tested benefits and which include a carer, would not be entitled to a disregard. With approximately 250,000 carers on means-tested benefits, this would leave approximately 50,000 carers without access to an earnings disregard if they were able to juggle work and care.

These carers would include those living on their own, who do not have children and who are caring for a disabled person who does not fall within their Universal Credit ‘household’ would not be entitled to a disregard. This latter group includes carers:

- looking after a disabled or elderly friend or relative living elsewhere
- and carers looking after an adult disabled child, a parent or other elderly relative living with them but who are not considered to be within the same ‘household’ for the purposes of Universal Credit.

This may leave carers who are juggling work with care worse off as they move onto Universal Credit and lose their £20 disregard.

Modelling the impact: Currently, under Income Support, individuals can earn up to £20 per week and keep all of these earnings. With the Universal Credit withdrawal rate of 65%, individuals who are not eligible for an earnings disregard would have their earnings tapered away from the first £1 they earn. So for every £1 they earn, they would lose 65p of their benefit - keeping only the equivalent of 35p of their earnings.

So individuals on Income Support earning £20 would currently keep all of their earnings without their benefits being affected. Under Universal Credit, if they did not fall into the earnings disregard groups individuals earning £20 would have the equivalent of 65% tapered away in benefits, and they would only keep the equivalent of £7.

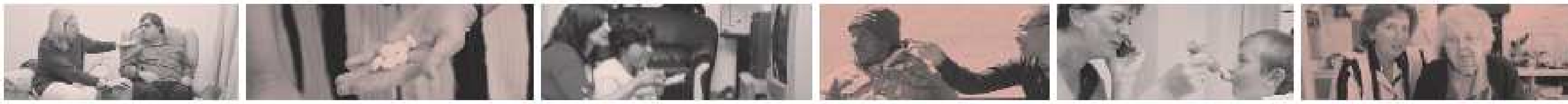
This would mean that individuals without the earnings disregard would need to earn £57 a week or more to be £20 better off (65% - £37 - would be lost from their benefit and the equivalent of only £20 kept from earnings). So, under Universal Credit, anyone earning under £57 would be worse off than they are under Income Support.

Key points and questions for carers:

- The loss of a disregard would act as a discouragement to continue in employment for carers who are currently able to take on a small amount of work, as they would end up worse-off under Universal Credit than they currently are. This is entirely counter to the principles of Universal Credit, and would make entering into paid work *more* costly to individuals who already face considerable barriers to the workplace.
- Will the Government consider adding an earnings disregard in Universal Credit for carers? Eligibility for this disregard could be established through claimants being in receipt of the additional amount within Universal Credit for claimants with ‘regular and substantial caring responsibilities for a disabled person’.
- Are there transitional measures in relation to earnings disregards for claimants moving on to Universal Credit, which would ensure that carers who are currently on Income Support and in work are not left worse off as a result of moving to Universal Credit?

Benefits cap

The Bill proposes a benefits cap with reference to the average earnings of working households in Great Britain (Clause 93). The method of calculation and the level of such a cap would be prescribed in regulations, but in October, the Government estimated that, in 2013 the cap would be



£500 for household income and £350 for individual claimants. The Government also announced that Disability Living Allowance claimants, War Widows, and families claiming the working tax credit would be exempt from the cap, but that other benefits, like Carer's Allowance, would be included.

Impact on carers: Carers UK's modelling shows that placing a cap of £500 on couples or £350 for single adult households could have a devastating impact on families who care. For example, a single mother with three young children living in London, in receipt of Carer's Allowance for caring for her elderly mothee could face a reduction of almost £100 a week.

Key point for carers:

- Carers UK believe that it is unacceptable to include Carer's Allowance within the cap – particularly as it could act as disincentive for family care. Carer's Allowance should be included in the list of benefits which deliver household exemption from the cap.

Conditionality

Carers UK welcomes the clear statement in Clause 19, Subsection 2 that prohibits back to work conditionality being applied to claimants with 'regular and substantial caring responsibilities.' This is crucial, as the Bill also introduces tougher sanctions against Universal Credit claimants who are not considered to be properly seeking work – removal or reduction of benefits for up to three years.

It is vital that robust procedures are put in place to identify carers early in the Universal Credit application process and that carers are not drawn into other strands of conditionality. For example, lone parents face relatively tough conditionality and there is a risk that a lone parent who was cares for a disabled child would face sanctions if they are initially grouped with lone parent rather carers.

Carers UK is concerned that the Government has not specified how conditionality will be established. We strongly argue that it should not be established solely through receipt of the additional amount for caring responsibilities within Universal Credit, as this would fail to deliver exemption from conditionality for a number of important groups, including:

- Carers with substantial caring responsibilities which mean that they are unable to work, but which do not entitle them to Carer's Allowance or the carer addition in Universal Credit – ie caring for 30 hours a week (the Carer's Allowance threshold is 35 hours of care a week)
- Carers with multiple caring responsibilities for elderly or disabled friends or family which total more than 35 hours a week, but who are unable to claim carers' benefits because none of their caring responsibilities amounts to 35 hours a week alone – eg. Caring for a disabled partner for 20 hours a week and also for an elderly parent for 20 hours a week would not entitle an individual to carers' benefits but would prevent them from engaging in paid work).
- Carers looking after young children who also have with caring responsibilities of less than 35 hours for an elderly or disabled individual, who could face tough back to work sanctions related to childcare which fail to take account of their other caring responsibilities because they cannot receive carers' benefits.

Carers UK research indicates that caring responsibilities of 20 hours a week or more can have a substantial impact on carers' ability to juggle work and care. Over 20 hours, whilst carers may, in theory, have the time for paid work, in reality, finding a job with sufficient flexibility may be extremely challenging. Applying sanctions in these circumstances may ultimately result in the breakdown of caring responsibilities. It is essential that, in addition to the emotional distress, sanctions do not act as a disincentive to family care.

Key point for carers:

- Carers UK believe that carers with caring responsibilities of 20 hours a week or more should be exempt from 'back to work' conditionality.

Personal Independence Payment

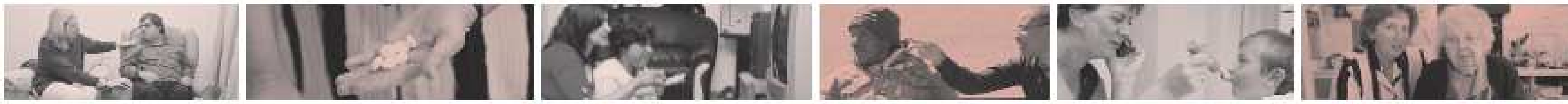
The Government has announced that there will be a 20% cut to the funding available as Disability Living Allowance (DLA) is replaced by a new Personal Independence Payment (PIP). Our modeling shows that, as the loss or reduction disability benefits brings knock-on impacts to family incomes, the effect could be disastrous to those already struggling to make ends meet. Given that, according to the DWP, the fraud rate for Disability Living Allowance is 0.5% it is clear that a 20% cut would result in the reduction in or removal of disability benefits for large numbers of legitimate claimants

Impact assessment - Carers UK is surprised and disappointed that no assessment has been published on the impact of the Welfare Reform Bill on carers. In particular, there has been no assessment of how the £2.17 billion reduction in the DLA budget or the introduction of the Personal Independence Payment would affect Carer's Allowance claimants.

- There was **no mention of carers** in the initial Impact Assessment of the DLA reforms, published with the Bill; or in the Equality Impact Assessments published during the Committee stage. The Government's response to the DLA reform consultation, published in April, simply states that the Government is considering the implications for Carer's Allowance of DLA reform.
- This lack of upfront information not only makes **adequate scrutiny of the proposals impossible** – but it is also causing a huge amount of distress for families, including those affected by the most severe disability and terminal illness, who fear the loss of their disability and carers' benefits because they do not know if they may be affected.
- Given that 73% of current Carer's Allowance claimants are women, it is also concerning that the potential loss of independent income for a group predominantly made up of women was not a key part of the **gender impact assessment** for the Bill.

Key point for carers: It is critical that a full evaluation of the impact on carers is urgently conducted. This must include an estimate of the number of carers expected to lose Carer's Allowance, a disability impact assessment and an equality impact assessment which looks at the impact on gender equality of the likely loss of Carer's Allowance through cuts to the DLA/PIP budget.

Eligibility for Carer's Allowance within PIP - Currently, eligibility for Carer's Allowance is established through the middle or higher rate care components of DLA. Instead of three rates within



DLA (lower, middle and higher), PIP will have only two rates (standard and enhanced). The Welfare Reform Bill does not establish how existing groups of DLA claimants will fit into these new categories. Whilst the Government has confirmed that PIP will be the gateway to Carer's Allowance, they have not stated which 'daily living' component level will lead to eligibility for Carer's Allowance.

Currently 565,000 carers are in receipt of Carer's Allowance. In response to a Parliamentary Question in May 2011, the Minister for Disabled People stated that data does not exist on the division of Carer's Allowance claimants caring for the disabled people on a) the middle and b) the higher rate of DLA, and that the costs of the analysis required would be disproportionate[3]. However we believe that it is reasonable to assume that thousands of carers could lose entitlement to Carer's Allowance if the Government established eligibility only at the enhanced rate of PIP.

Case study: Tony gave up work to care for his wife Laura who is partially blind and has memory problems following a car accident. They have two young children. Laura needs Tony to be there to help her wash, dress and use the toilet and she struggles to prepare food on her own. Tony would love to go back to work but does not want to leave Laura on her own during the day. Tony claims Carer's Allowance and Laura receives the middle rate care component of Disability Living Allowance. The family is also having the support they receive from care and support services reduced because the local authority has just raised their eligibility criteria to 'critical' needs, and Laura has been assessed as having 'substantial' needs.

If, following assessment for the new PIP, Laura's received a reduced amount of disability benefit which did not allow Tony to qualify for Carer's Allowance - the family could lose almost £60 a week, over £230 a month, through the reduction in disability benefits, the removal of Carer's Allowance and Carer Premium. Tony would be forced to claim Jobseeker's Allowance even though he knows he cannot work because of the care and support his family need and the fact that their social care support is also being cut back.

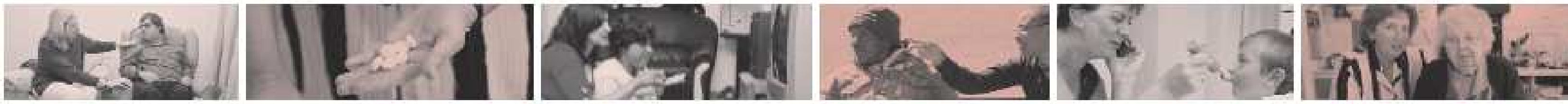
Key point for carers:

- Eligibility for Carer's Allowance must be established through both levels of the 'daily living component' of Personal Independence payment, otherwise it is likely that thousands of carers would lose their Carer's Allowance.

The impact on carers of the budget reductions - in the absence of DWP estimates, organizations like Disability Alliance estimates that as many as 740,000 disabled people could be affected.[4] Even if all recipients of the lower rate care component lost their benefit (this would not affect any claims for Carer's Allowance), the savings announced by Government would require substantial additional cuts to benefits for claimants in receipt of the middle or higher rate care component (where Carer's Allowance eligibility is established).

[3] HC Deb 02 May 2011 cc532W-533W

[4] Disability Alliance estimates that, in order to achieve £1 billion in savings, there would be a risk to the DLA of 643,000 disabled people receiving the lower rate payment of care (£634 million per year) and a further 100,000 disabled people on the middle or higher rate care components or the higher rate mobility component.



The resulting loss of independence for disabled people would lead to indirect additional financial pressure on carers. Already, we know that two thirds of carers use their own incomes to pay for care for the people they look after, reductions in incomes from disability benefits would only increase the pressure on carers to dip into their own incomes to pay for support for the people they care for. However the scale of the proposed cuts could also directly lead to substantial numbers of carers losing Carer's Allowance as the people they care for see their disability benefits reduced or removed, and carers lose their eligibility to Carer's Allowance.

Key point for carers: Carers UK argues that cuts of this scale put at risk some of the most vulnerable families, particularly families in which no-one is able to engage in paid work due to severe disability and caring responsibilities. These families may also be struggling with a lack of access or cuts to good quality and flexible care and support services. The loss of hundreds of pounds a month of income from carers and disability benefits could be devastating for families who are often already struggling to make ends meet.

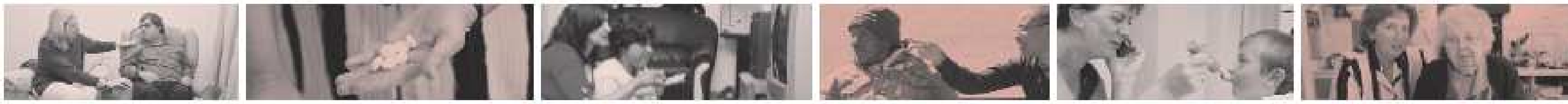
There is the real risk that the effect of this would be to undermine family care. Nearly nine in ten (87%) working age carers providing round the clock care to disabled partners had no-one in the household in paid work – these families would be the hardest hit by reductions to their financial support from the benefits system, and many would be unable to continue caring. This would force some families to call on local authorities to step in and provide full home care packages or admit the person they care for into residential care, at a potential cost of thousands of pounds a month.

Qualifying period for PIP - the Bill would extend the qualifying period for the new Personal Independence Payment to six months rather than the existing three months (Clause 79). Carers UK strongly disagrees with this, as the impact on families of having to wait for six months before receiving financial support could substantially increase family debt and financial hardship. This measure would have the biggest impact on families coping with a sudden, unexpected illness or disability who face the loss of two incomes – though disability and caring responsibilities.

The impact on carers: A couple in which one individual is disabled following a road traffic accident and the other gives up work to care, would have to wait for 6 months before receiving PIP and Carer's Allowance despite losing two full-time salaries. This could leave families in lasting debt and financial hardship if they face long periods on low-level benefits.

Key point for carers: Carers UK does not believe that the current eligibility period should change, but if the Government has resolved to extend the total qualifying period to a year (six months qualifying period and a further six month 'prospective test' – the expectation that the condition will continue for a further six months), our preference would be for a three months qualifying period and a nine month prospective test.

Assessments - We believe that it is crucial for the new PIP assessments to look at a wide range of evidence, rather than prioritise a 'snapshot' face-to-face meeting with a medical generalist, which may fail to gather comprehensive evidence of fluctuating or complex conditions. The new assessment must not be predominantly medical and must include evidence from a wider spectrum of professionals as well as consulting families and carers. Periodic reviews for PIP must also be appropriate and based on realistic assumptions of likely changes in conditions.



Key point for carers: Details of the assessment will be set out in regulations, but Carers UK urge the Government to ensure that assessments treat carers as 'expert care partners' as described by the National Carers Strategy, refreshed in December 2010 by the Government.

Mobility component in residential care – Carers UK is a signatory to the Mencap report *Don't Limit Mobility* which sets out the united opposition of the disability sector to proposals to remove the mobility component of DLA from individuals in residential care settings (Clause 83). The mobility component can be key to personal independence to disabled people in residential care, enabling them to engage in social activities, volunteering, work and hobbies– removing it could severely compromise disabled people's quality of life, trapping them in their own homes.

> **Case study:** Stephen and Kiranjit care for their disabled daughter Lucy and the family use their Motability car to go out together and her to residential school, which is in a rural area 40 minutes away. As a result of lung damage, Lucy frequently falls ill during term and needs to come home. Without the use of this car the family would struggle to do any of these things, and could not afford the taxi costs of coming to visit Lucy frequently at school. Lucy's parents feel strongly that she has a right to spent time with her family, particularly her brothers and sisters.

As outlined in the Mencap report, we strongly refute the Government's assertion that, in these circumstances, the mobility component amounts to double funding. Particularly at a time of tight local authority spending, it is completely unrealistic to expect social care budgets to be able to absorb the additional expense required to achieve the kind of individualized support that individuals can achieve by choosing how to spend their mobility component.

Key point for carers: Although the Government has postponed the implementation of this until 2013, along with other members of the Disability Benefits Consortium Carers UK, call on the Government to scrap the proposals entirely.

Transitional arrangements - Carers UK agrees with the Disability Benefits Consortium's view that 'there are many disabled people who could be transferred to PIP without the need for costly and bureaucratic reassessments. Disabled people with evidenced needs and receiving the highest levels of DLA care and/or mobility, people with long-term, degenerative conditions or impairments evidenced to have high associated costs are examples of people who could have transitional arrangements made to prevent unnecessary expenditure on assessments'.

Key point for carers: If the Government continues to push ahead with plans for substantial cuts in the DLA/PIP budget, in addition to measures to protect disabled people who face reductions in their benefits following reassessment, it is essential that transitional protections will be put in place for carers who lose Carer's Allowance as a result. If no transitional protections are put in place this could result in significant numbers of caring relationships breaking down, with clear knock-on implications for local authority care and support budgets.

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