



Work and Pensions Committee

15 May 2024

Rt Hon Mel Stride MP

Secretary of State for Work and Pensions
(By e-mail only)

Dear Mel,

Carer's Allowance

The Work and Pensions Committee held two evidence-sessions on Carer's Allowance (CA) on [6 March](#) and [24 April](#), to examine the challenges raised with us during our inquiry into [Benefit Level in the UK](#), and to understand whether progress had been made by the Department since our predecessor's 2019 Report, [Overpayments of Carer's Allowance](#).

In this letter, we seek to draw out a number of key points, questions, and recommendations for your consideration. In particular, we would like to highlight concerns we share relating to overpayments of Carer's Allowance, the payment rate of CA, the relationship between CA and work and the experience of young carers. We have also [written](#) to the Comptroller and Auditor General of the National Audit Office to ask for the information they hold on this issue and to encourage the NAO to undertake an investigation.

Overpayments of Carer's Allowance

We remain concerned that since our predecessor's 2019 report, [Overpayments of Carer's Allowance](#), the Government has not made progress to limit the impact of overpayments on unpaid carers. In that report, our predecessor asked DWP:

- to ensure the CA Unit was adequately resourced to investigate matches flagged by its Verified Earning and Pensions (VEP) system;
- to automate alerts to its CA unit when the earnings of carers on UC rose above the earnings threshold, using data it holds on claimants' earnings within the UC system; and
- to review and consider whether it was worth pursuing individual cases of overpayments, given them "given its culpability, the cost of recouping the overpayments, and the impact on the lives of carers and those who they care for".

The Government said in its [response](#) that it did have sufficient staff in place to meet demand and DWP was always looking for opportunities to better automate its services.

We wrote to the Department on [5 October 2023](#) asking for its assessment of progress made since our predecessor's 2019 report on overpayments. Tom Pursglove MP, the then Minister for Disabled People, Health and Work [said](#) that the CA Unit had put in place new improved internal performance standards and had worked to clear backlogs, which meant, "heads of work on

both claims and changes are now within profiles which the department considers to be acceptable". He added, that DWP attempted to minimise overpayments by simplifying processes and improving communications with claimants.

Despite these improvements, evidence we have received and information provided in response to parliamentary questions (see, for example, recent PQ responses, UINs [23249](#), [23251](#), [23252](#) and [23253](#)), makes it clear that overpayments of Carer's Allowance remains a significant problem for carers. This is especially concerning considering the mental distress experienced by carers who realise they have been overpaid, that it can take decades to recover high value overpayments, and cases where overpayments have led to court action. Data the Department [provided to the Committee](#) showed that in 2022/23 the Department was pursuing:

- 7,300 claimants for overpayments over £2,000;
- 15,700 for overpayments between £1,000 and £2,000; and
- 15,500 for overpayments between £500 and £999.99.

We questioned Minister Davies and Departmental officials about overpayments on 24 April. Minister Davies said the latest national statistics indicated "that the rate of overpayments due to fraud and error fell to 3.6% in 2022–23 and that is a 10% drop from 2021–22, from 4%" ([Q59](#)).

In the same session, we asked what determined whether a VEP alert should be actioned, and whether DWP could write to carers whenever a VEP alert indicated they had received income over the earnings limit ([Q58](#) and [Q60](#)). DWP's Deputy Director Andrew Latto explained that the VEP system flagged when a carer's earnings went above the earnings threshold, however this sometimes could include allowable deductions ([Q53](#)). On high value overpayments, he said the VEP system had only been operationalised recently and carers might have built up overpayments over a long period of time, before the Department uncovered them ([Q57](#)). In response to the suggestion that DWP write to carers who exceeded the earnings limit, even if this might include allowable deductions, Mr Latto said it was something the Department could "look at" ([Q60](#)).

Since our session, your Department has published [Fighting Fraud in the Welfare System: Going Further](#). On Carer's Allowance, the Department said it was "progressing an enhanced notification strategy as part of our existing commitment to improve customer engagement". Further, the policy document said the Government was "considering all forms of targeted contact," such as text messages or e-mail alerts to encourage claimants to contact the Department, when DWP was made aware of a potential overpayment.

We recognise changes introduced by DWP to simplify processes and improve communications with claimants to reduce overpayments of Carer's Allowance, and its plans to introduce an enhanced notification strategy to reduce the risk of overpayments. We remain concerned

however that progress has not been made since our predecessor’s 2019 report. *DWP must undertake work to improve how it identifies and communicates overpayments with claimants. For example, DWP should send a communication to carers whenever the VEP system identifies that they are suspected of having exceeded the earnings limit—even if this might include allowable deductions. Whilst we welcome the Department’s plans to consider all forms of targeted contact, such as the use of text messages and e-mails to alert claimants when an overpayment might have occurred, it is imperative that these changes are introduced without delay and without a lengthy process of trials.*

Payment rate of Carer’s Allowance

When we heard from Minister Davies, she told us that Carer’s Allowance served to “provide a measure of financial support” for those who cannot work full-time, and that people on low incomes could also claim income-related benefits such as Universal Credit. She also said the Government recognised the value and contribution that carers make ([Q41](#)).

In our inquiry, [Benefit Levels in the UK](#), we heard that Carer’s Allowance was paid at too low a rate and that people in receipt of CA were often having to cut back on food and were struggling to make ends meet. We heard similar such evidence in our two recent evidence sessions on CA. Tamara Sandoul, Head of Policy and Public Affairs at Carers UK, Fiona Collie, Head of Policy and Public Affairs at Carers Scotland, and Cristina Odone, Head of Family at the Centre for Social Justice, and Professor Sue Yeandle, Professor of Sociology, University of Sheffield, all said the payment rate of CA was “inadequate” ([Q50](#)).

We also heard the rate at which CA is paid means that carers often do not feel recognised or valued. Cristina Odone described the perception that “carers are second-class citizens. Carer’s allowance is a second-class benefit,” and that changes had not been made to the benefit because “carers are not valued enough” ([Q46](#)). Garry Vaux, Head of Hertfordshire County Council’s Money Advice Unit also questioned, “Why do we still have a second-class benefit for carers”. Terry Kirton, who is a full-time carer for his father, said it felt as if carers were expected to struggle, and the amount of money he received through CA was “impossible to live on”. He described his financial situation as “penny to penny, month to money and it is exhausting. . . I am sick of having to fight for every penny” ([Q2](#)).¹

In our Report, [Benefit Levels in the UK](#), we made several recommendations relating to how the Government decides and uprates benefit levels, including Carer’s Allowance. This included a recommendation that the Government should outline a benchmark for income-replacement benefits which relates to living costs, and how the Government intended to reach this benchmark alongside annual uprating.

¹ Terry receives Income Support and Carer’s Allowance and is a qualified nurse by training, however, is not currently able to work.

We welcome that the Government uprated Carer’s Allowance to £81.90 per week in April. However, too often, unpaid carers in receipt of Carer’s Allowance continue to experience financial hardship. *The Government must ensure that carers are made to feel valued, and that they do not experience significant financial difficulties as a result of their caring role. We repeat our recommendation from our benefit levels in the UK report that the Government should determine a benchmark for Carer’s Allowance which relates to living costs, and should set out how it intends to reach this benchmark alongside annual uprating.*

Carer’s Allowance and work

To receive Carer’s Allowance, unpaid carers cannot earn more than £151 per week. Minister Davies told us the earnings limit was, “designed to enable carers to maintain a link, where possible, with the labour market and give them greater financial independence” ([Q44](#)). Tamara Sandoul from Carers UK said, the earnings limit could act as a “major block” to people being able to work alongside their caring role.

We welcome the Government’s intention to support unpaid carers to maintain a link with paid employment—as a means to improve their financial situation, support their wellbeing, and to contribute to a thriving economy. We are concerned however that the earnings limit as currently constituted is problematic.

We heard challenges associated with the relationship between the earnings limit in CA and the National Living Wage (NLW). When the NLW increases, if the earnings limit in CA is not increased by the same amount, carers risk being pushed above the earnings limit more quickly. For example, whilst the earnings limit in CA was uprated by 8.6% in April this year, the National Living Wage increased by 9.8%. Consequently, [Carers UK](#) have said the number of hours a carer has been able to work at the NLW decreased from 15 hours a week in 2019, to just over 13 hours in 2024.

While we heard from DWP that linking the CA earnings limit to NLW was technically “very simple to do”, the Minister noted that it came “with a degree of a price tag,” and that she wanted to support people to stay in work ([Q51](#)). Nonetheless, the Minister did tell us that she was looking at this area ([Q52](#)).

We considered the impact of the Government’s uprating policies in our report, [Benefit levels in the UK](#), where we concluded that policies which limit benefits, such as the earnings limit in Carer’s Allowance, risk reducing benefit levels if they are not regularly uprated in line with other prices. We therefore recommended:

To ensure that policies designed to allocate and limit benefit entitlement operate as originally intended, the Government should commit to uprating the capital limit rule in

means-tested benefits, the benefit cap and the earnings threshold in Carer's Allowance on an annual basis (Para 126).

It is welcome that Minister Davies said the Government recognised the challenge posed by the relationship between the National Living Wage and the earnings limit in Carer's Allowance, and that she was considering how best to remedy the situation. *In the short-term, we repeat our recommendation that the Government commit to uprating the earnings limit in Carer's Allowance on an annual basis. More specifically, we recommend the earnings limit in CA be pegged to a number of hours work at the National Living Wage.*

Type of employment

We heard that another challenge posed by the earnings limit, is that it effectively constrained the type of paid employment an individual could carry out whilst providing unpaid care. We heard that this affected skills maintenance, professional development and the ability of carers to continue contributing towards their pension, beyond the basic pension contributions the Government makes alongside Carer's Allowance.

Cristina Odone from the CSJ said charities which made up the CSJ alliance said carers "were excluded from the job market" ([Q46](#)), and Professor Sue Yeandle highlighted "caring can happen to people at any level of seniority or right down at the bottom of the income spectrum" ([Q54](#)). Witnesses highlighted the experience of teachers, nurses and lecturers who were paid at a higher hourly rate and would be unable to work many hours before losing entitlement to CA, and some of these professions required a certain number of hours of work to maintain registration ([Q46](#) and [Q12](#)).

Beyond simply increasing the earnings limit in Carer's Allowance, Professor Yeandle questioned whether the UK should move towards a system which used an hours-of-work limit, rather than an earnings limit, to determine eligibility for CA. This would mean "you do not trap people into low-paid work," and would provide carers with the "opportunity to progress or for when they perhaps complete their caring responsibility" ([Q46](#)). For example, Professor Yeandle highlighted the system used in Australia, which allowed unpaid carers to work up to 25 hours per week and still receive their equivalent to Carer's Allowance ([Q54](#)).

The Government's intention, that the earnings limit is designed to enable carers to maintain a link with the labour market, inadvertently consigns carers to low paid work, and excludes those with higher earnings potential in key professions such as teaching and nursing. Many of these carers still require financial support, due to the high costs of paying for replacement care. *In the longer-term, the Government should consider whether it would be more appropriate to use an hours limit, rather than an earnings limit, to determine eligibility to Carer's Allowance. The Government could consider including an upper payment limit to balance this intention with cost effectiveness.*

Taper rate and gainful employment

As a separate way to address the cliff-edge associated with the earnings limit in Carer's Allowance, witnesses including Gary Vaux, Tamara Sandoul, Professor Yeandle and Fiona Collie all questioned how and if a taper rate could be used in Carer's Allowance. Our predecessor Committee recommended in its 2018 Report, [Employment Support and Carers](#), that the Government introduce a taper rate to CA, at the same rate as that used for Universal Credit. Further, our predecessor in its 2019 report, [Overpayments of Carer's Allowance](#), recommended the Government introduce a taper rate, and explore different options at which it could start a taper as well as the different withdrawal rates.

The Government did not accept either of these recommendations and said in [response](#) to the 2019 report that a taper rate would not be appropriate, as the earnings limit served as a test for whether the individual was in "gainful employment". In later [correspondence](#) with the Department, the then Minister for Disabled People, Sarah Newton, said a taper would "significantly complicate" CA and would require fundamental changes to DWP's IT systems. Minister Davies repeated this argument. She added that a taper was used to ensure work pays, as was the case for means-tested benefits such as Universal Credit ([Q48](#)).

Further, there does not appear to be one clear definition of "gainful employment". For example, under the [Local Government Pension Scheme \(Amendment\) Regulations 2008](#), "gainful employment" is defined as "paid employment for not less than 30 hours in each week for a period of not less than 12 month". Under [Universal Credit Regulation 2013](#), "gainful self-employment" is defined as when a claimant's trade, profession or vocation is their main employment.

Considering the severity of the cliff edge in Carer's Allowance, and that the earnings limit can act as a work disincentive, we are not convinced by DWP's argument that the earnings limit functions as a measure for "gainful employment", and that it therefore makes a taper inappropriate. DWP should set out to us how it defines "gainful employment" in the context of Carer's Allowance.

The Government should commit to introducing a taper rate to Carer's Allowance when work on its IT system allows. This should include work to explore what impact different taper rates would have on earnings and work incentives for those in receipt of Carer's Allowance.

Young carers and young adult carers

In the second of our two evidence sessions on Carer's Allowance, we considered how DWP might improve support for young carers and young adult carers.

Although responsibility for young carers is shared with other Government Departments, and Carer's Allowance is only available to eligible young adult carers when they turn 16, we believe

it is in the interests of DWP to take an interest in the experience of young carers. For example, when discussing education, Becca Lacey, Reader in Social and Lifecourse Epidemiology at St George's University of London, said:

I think it is really important that we have a point of intervention for trying to break the cycle of the young carers becoming the cared-for of the future, education being a potential route ([Q15](#)).

The most significant policy which DWP has ownership of, which relates to young carers, is the 21-hour rule in Carer's Allowance. The 21-hour rule prevents young adult carers who are in full-time education, or who are studying for 21 hours a week or more, from receiving Carer's Allowance. Tamara Sandoul from Carers UK said:

If you are a young adult carer you have to choose between getting an education and qualifications and getting some financial support. That is not right. It will affect people for the rest of their lives ([Q46](#)).

Andy McGowan, Policy and Practice Manager at Carers Trust, added that the amount of care provided by young carers was not changed by the 21-hour rule, instead, "what is changed is the impact on their ability to study" ([Q14](#)). Further, changes to post-16 education, which increased the number of hours to study A-levels, T-levels, and the planned Advanced British Standards, risk excluding more students who require financial support from the education system. Mr McGowan said this was an example of where "The carer's allowance context and the rationale and policy has not kept up with changes in educational policy but also practices" ([Q15](#)).

Due to the 21-hour rule, Mr McGowan said Carers Trust was increasingly seeing young carers who, alongside their caring responsibilities and education, were taking up paid employment "because of the lack of financial support, either through wider DfE mechanisms and the maintenance system but also through carer's allowance" ([Q14](#)).

When we spoke to Minister Davies about the experience of young adult carers in April, she told us that the Government continued to think "the right way to support younger carers and those in full-time education is via the education maintenance system", which is why full-time students were precluded from entitlement to income-related, or income maintenance benefits ([Q70](#)).

Andy McGowan highlighted to us, that in England and Wales since 2016–17, there has not been a system of maintenance grants, "only a system of loans" ([Q16](#)). Further, the 16 to 19 Bursary Fund from the Department for Education is only available to a small group, such as children who have been in care, who are financially independent, and those who are receiving Disability Living Allowance or Personal Independence Payment. Mr McGowan said the policy rationale, was that this group "do not have the financial support to be able to support them through their education," which in practice also applied to young adult carers ([Q16](#)).

Witnesses, including Andy McGowan and Fiona Collie, spoke positively about changes being introduced in Scotland through Carer Support Payment, which is replacing Carer's Allowance ([Q16](#) and [Q44](#)). This payment allowed young adult carers who met other eligibility criteria, and: who were any age and studying 21 hours or less; were aged 20 or over and studying full-time at any level of education; or who were aged 16 to 19 and were studying full-time advanced education, to receive Carer Support Payment.

It is imperative that young adult carers who require financial support are not prevented from pursuing their educational aspirations. Being forced to choose between obtaining qualifications and financial support will have a long-term effect on young adult carers, and in turn is likely to impact their health and mental wellbeing, and their future employment prospects. *The Government should remove the 21-hour rule in Carer's Allowance for young adult carers over the age of 19.*

The Government has said that young adult carers who study for 21 hours or more are not supported by Carer's Allowance, because the education maintenance system supports them. However, young adult carers are not a specified group eligible for support through the 16 to 19 Bursary Fund. *The DWP should work with the Department for Education (DfE) to extend access to the 16 to 19 Bursary Fund to young adult carers who are not eligible for Carer's Allowance. DWP must also work with the DfE to ensure that education policy and welfare policy are synchronised, so that developments in education policy, such as the planned Advanced British Standards, do not unintentionally disadvantage young adult carers.*

We would be grateful for your response to our proposals by Monday 17 June. As is usual practice with the Committee's correspondence, I will be publishing this letter and your response on the Committee's website.

Yours sincerely,



**Rt Hon Sir Stephen Timms MP
Chair, Work and Pensions Committee**