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for Work &  
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12 November 2024

**(By email)**

Dear Debbie,

I am responding to the previous Committee's letter to the then Secretary of State on 15 May 2024. The Secretary of State has asked me to respond to the new Committee as the Minister responsible for Carer's Allowance (CA).

The letter draws out a number of key points, questions and recommendations for the Government to consider in relation to CA. I welcome the valuable evidence-gathering sessions that the Committee undertook to inform its recommendations.

The Government recognises and values the vital contribution made by unpaid carers every day in providing significant care and continuity of support to family, friends and neighbours, including pensioners and those with disabilities. The 2021 census indicates that around 5 million people in England and Wales may be doing some unpaid care, with many of us taking on a caring role at some point in our lives. Unpaid carers play a vital role in the wider care pathway, and ensuring family carers receive the recognition and support they need and deserve will be a key part of our thinking as we develop our strategy for a new National Care Service.

Since 1976 the benefit system has provided some recognition and dedicated financial support for unpaid carers through CA. Successive Governments have continued with that support as the number of unpaid carers has increased and the care they provide has become more and more important. Between 2024/25 and 2028/29 real terms expenditure on CA is forecast to rise by 13%, from £4.2 billion a year now to just over £4.7 billion.<sup>1</sup>

As well as support through CA, carers on lower incomes may also receive means-tested benefits which target help on those most in need.

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<sup>1</sup> Please note that these figures are based on the Spring Budget 2024. The Autumn Budget figures are due to be published on 21 Nov 2024, at which point these numbers might change.

This is increasingly happening through Universal Credit (UC), where unpaid carers can receive an extra £2,400 a year compared to those who are not caring. It is important that all unpaid carers check to see whether they might be able to increase their income by claiming UC. Information is available on Gov.UK and from organisations such as Carers UK and Carers Trust, as well as Citizens Advice.

CA itself is largely unreformed since it was first introduced nearly 50 years ago. The predecessor Committee has rightly drawn attention in its recommendations to overpayments of CA; the level of support CA provides; how unpaid carers who can combine their caring responsibilities with some work are treated; and support for young adult carers.

I discuss each of the recommendations below, and also provide a short commentary on each section of the letter.

### **Overpayment of Carer's Allowance**

The Committee's report flagged the issue of overpayments to unpaid carers related to earnings. There has always been a responsibility on the customer to report changes of circumstances to the department, and that expectation remains. They can report changes of circumstances online, by phone, or by post. The department also holds some earnings information on some claimants via the Verify Earnings and Pensions System (VEPS) data from HMRC.

The first thing this Government needed to do was to get to grips with the problem and, as we promised, we have moved quickly to set out a plan to put things right.

To do this, the Secretary of State took the decision to appoint an independent reviewer, Liz Sayce OBE, to look at overpayments of CA, in cases where earnings have exceeded the entitlement threshold. The review will investigate how these overpayments of CA have occurred; what can best be done to support those who have accrued them; and how to reduce the risk of these problems occurring in future. The Independent Reviewer is in the process of developing the scope, terms of reference and timelines for the planned review and will be publishing these in the coming weeks.

We are not just waiting for the outcome of the review. The department is already looking at ways to try and stop large overpayments occurring in the first place. Central to this will be improved communications with unpaid carers and having resources in place to ensure we can make the best use of earnings data collected by HMRC.

### **Payment rate of Carer's Allowance**

Whilst the primary purpose of CA is to provide a measure of financial support to carers who are unable to work full time due to their caring responsibilities, it is not directly related to living costs. Means tested support is also available to support those in lower income households, and additional amounts may be paid to carers who are eligible for these benefits, which at least in part reflect some of the additional costs unpaid carers face. Around 750,000 unpaid carers receive the UC carer element (worth £198.31 a month). 125,000 pensioner carers in lower income households receiving Pension Credit can also receive an additional £45.60 a week.

## **Carer's Allowance and work**

There is an important area of wider social policy around how the Government (together with employers and wider support from the family) can support unpaid carers in combining some paid work with their caring responsibilities where they can. As well as providing extra income for the carer and helping them save for retirement, this would add to economic output as a whole.

It is also important to consider the interaction between CA and UC when it comes to paid work and earnings. As mentioned above, working age carers from lower income households may be entitled to means tested support through UC. Where carers are in receipt of both CA and UC, the UC earnings rules effectively "trump" the CA earnings limit due to the way the two benefits interact. This means that they will be subject to the usual 55% taper rate, as well as any applicable work allowance. Although there is no specific work allowance for unpaid carers, nine out of ten of those in receipt of the carer element who have earnings have a work allowance applied because there is a child/young person or disabled person in the household.

### Carer's Allowance earnings limit

The Chancellor announced at the recent Budget that from April 2025 the weekly CA earnings limit will be pegged to 16 hours work at National Living Wage (NLW) levels, and in future it will increase when the NLW increases. The earnings limit will be £196 a week net earnings, compared to £151 now. Around 60,000 additional people will be able to receive CA between 2025/26 and 2029/30 as a result. This investment is worth around £500m over that period. This is the largest ever increase in the earnings limit since CA was introduced in 1976 and the highest percentage increase since 2001.

Unpaid carers will be able to increase their income, and many will now have more certainty that if they are receiving the NLW (and have not done overtime or received a bonus) they will be able to work for 16 hours a week and still receive CA. This may help reduce the number of overpayments.

This important change reduces a work disincentive inherent in the current CA earnings system, but, as the Chancellor said at the Budget, the Government is "*also concerned about the cliff edge in the current system*".

### Taper rate and gainful employment

Structural changes to the treatment of earnings in CA in the short-term at least would be problematic, including the risk of creating more overpayments rather than fewer with earnings changes having to be manually processed.

An hours rather than earnings-based system has been mooted. As the predecessor Committee recognised, such an approach could result in losers amongst those with the lowest hourly earnings, and winners amongst those earning much higher amounts per hour. An hours-based system would also remove the department's ability to check against information currently held by HMRC, which covers earnings but not hours worked.

A taper, for example, as the predecessor Committee highlighted, could further incentivise unpaid carers to do some paid work where their circumstances allow. However, introducing a taper in CA is not without challenges and could significantly complicate the benefit as it currently stands, potentially increasing the risk of incorrect payments especially where there are complex interactions with Universal Credit (which, unlike CA, does not allow for certain care-related expenses to be deducted for earnings). It would also mean a significant rebuild of the CA computer system.

I will keep the Committee informed of the Government's thinking on the best ways forward on the treatment of earnings in CA in light of the increase in the earnings limit outlined above and the subsequent sustained link of that limit to the NLW.

### **Young carers and young adult carers**

Young carers do an extraordinary job, often in very challenging circumstances.

It is a long-standing principle, under successive Governments, that the benefit system does not normally support full-time students. Rather, they are supported by the educational maintenance system. Part-time students can receive CA if they meet the entitlement conditions.

However, the Department works very closely with the Department for Education and Department for Health and Social Care in England, and stakeholders such as Carers Trust and the Learning and Work Institute, to help ensure young carers get the help and support they need and deserve. How we can best identify and support young carers to combine study with their caring responsibilities where they can, including taking account of changes in the education system, will form an important strand of our work going forward. I have recently met with the Carers Trust and will be meeting the Learning and Work Institute shortly.

In conclusion, the Government appreciates how much society relies on unpaid carers. It recognises the challenges they are facing, and it will help unpaid carers stay in paid work where their circumstances allow. We are spending record amounts on CA; we are increasing the weekly earnings limit by a record amount; and we are determined to provide unpaid carers and their families with the help and support they need and deserve.

I look forward to sharing the outcome of the Independent Review with the new Committee in due course, as well as sharing our broader thinking on the treatment of earnings in CA.

I am copying this letter to my Secretary of State, Liz Kendall.



**Rt Hon Sir Stephen Timms MP**  
**Minister of State for Social Security and Disability**