



# Care in a New Welfare Society:

## Unpaid care, welfare and employment

By Sophie Moullin

December 2007

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Registered Charity No. 800065

This paper was first published in December 2007.

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## Note about this paper

Note: This is the first of two reports from ippr's project 'Care in a new welfare society'. This report examines unpaid care in relation to employment and welfare. The second will examine unpaid caring in relation to formal care services.

This paper refers to England. Where it departs from this, it is noted in the text.

## Acknowledgements

The author would like to thank our project partners, without whom this project would not have been possible. They are Carers UK (with resources from the European Social Fund), the Royal British Legion, Crossroads – Caring for Carers, and PricewaterhouseCoopers LLP.

Special thanks are due to Miguel Castro Coelho for his work on the quantitative aspects of the paper, to Linda Pickard and Raphael Wittenberg for their help with PSSRU data sets and comments, and to Susan Himmelweit, Emily Holzhausen, Stephen Burke, Jane Lewis, John Knight and Richenda Gambles for their comments on the paper. I would also like to thank ippr colleagues – in particular Kate Stanley, Lisa Harker, Carey Oppenheim, Graeme Cooke and Howard Reed, and contributors to an ippr policy seminar on this topic. The views expressed in this paper remain solely those of the author.

## About the author

Sophie Moullin is a research assistant in the public services team at ippr.

# Executive summary and recommendations

Unpaid care<sup>1</sup> is critical for individuals to flourish, and for society to function. Literally from cradle to grave, receiving care from others can promote rather than diminish our capacity to live independently and in dignity. Whether we consider it in terms of economics or ethics, the care provided within families and communities makes an enormous contribution to our lives.

But care remains a ‘grey area’ of the welfare state. The way unpaid care is considered in terms of welfare benefits and workplace rights is incoherent. There is little clarity even on the objectives for policy in relation to care. The result is an ineffective policy response to the caring that is carried out right through the life course. If we are to meet rising care needs and costs – as well as the challenges of poverty, economic exclusion and patterns of inequality – this can continue no longer.

This report provides a policy framework for unpaid care in welfare and employment policy. It sets out a way to understand the value of care, and recognise the costs that caring involves. Laying out the principles on which care policy should be built, it goes on to outline what a welfare<sup>2</sup> and employment policy that reflected these principles would look like. The report proposes reform of the central pillars of welfare and workplace policy: the social security and tax credit system, and flexible working and leave rights.

## The value of care

The care given within relationships, families and communities holds value. Personally, caring is a valued experience. Socially, care is a valuable contribution. Yet there remains an undue imbalance between the value placed on employment and that placed on caring. To redress this balance, policy should recognise and support the contribution of caring as well as of employment.

Recognising the relationships in which unpaid caring occurs, the support directed at those who receive care must join up with that directed at those who give care. Those who receive care have different interests, needs and choices from those who give care, but often in the context of an intimate and interdependent relationship.

The nature of these caring relationships varies greatly, as does the degree to which formal services meet care needs. As a result, there is a spectrum of different intensities of caring. Policy needs to consider this spectrum across the life course, recognising care as a normal and necessary part of family and social life. Current policy, however, is built around ‘parents’ and ‘carers’ as discreet and distinct groups. This maintains care as the exception to life, and as the exclusive preserve of certain people (women in particular). This can obscure the everyday merit and meaning of caring carried out throughout life and across society.

This proposed understanding of the value of care has two key policy implications:

- Policy should not set an opposition between working and caring, but should recognise both forms of activities as responsibilities and opportunities. Both caring and employment should be expected and valued contributions – for men and women alike.
- Policy should consider the spectrum of caring across the life course, recognising the value of all forms of caring, from caring for children through to caring for disabled and older people in need of support.

## The costs of care

The Institute for Public Policy Research (ippr) estimates the economic value of unpaid care for England alone to be equivalent to £67 billion in substitute formal services. In the context of rising demand for long-term care and rising costs of caring, the number of people available to care within their own families and communities is important.

But unpaid care is not ‘free’. When a carer is excluded from the labour market as a result of their caring, they will forgo significant earnings. New ippr analysis finds that in 2001 all those of working age who were economically inactive and providing unpaid care for over 20 hours a week lost a potential £5.47 billion in income – nearly three-quarters of the estimated costs of substituting that care with full formal care services.

The economic impact of providing unpaid care and being economically inactive varies significantly according to people’s gender and relationship with the labour market. The analysis also shows that, for economically inactive women with no qualifications who provide between 20 and 49 hours of care a week, formal care costs would be over £13,000 more than the income they forgo in being economically inactive and caring at home. For men with higher-level qualifications to provide the same level of care, giving up work to care at home would leave them at least £14,000 worse off than if they paid for the costs of full formal care.

Any consideration of the costs of care services must recognise the cost of formal care, but also the costs (in terms of foregone earnings in the economy) of people being unable to undertake paid employment because they are caring at home.

The variation in the financial cost of care is only one factor that should influence decisions about giving or receiving care, but it also highlights a potential cycle of disadvantage involving unpaid caring. Where the costs of formal care services are greater than the loss of income for low-skilled people (often women) who care at home, we would expect these individuals to be more likely to take on a

1. ‘Unpaid care’ refers to the personal care carried out on an unpaid basis, usually for family members, as opposed to ‘formal’ care provided by public or private services. It is also referred to as ‘informal care’ in academic literature.

2. ‘Welfare’ is used here to mean the benefits and tax credit systems, along with employment services.

disproportionate share of caring responsibilities. This will continue to reinforce patterns of economic exclusion, poverty and inequality.

An examination of the pattern of unpaid caring, and the associated costs, reveals that caring lies at the core of economic inactivity and poverty. The impact that caring has on employment shapes poverty patterns. Almost a third (30 per cent) of economically inactive carers experience relative poverty, as opposed to only 7 per cent of those carers who are employed. While the intensity of caring can at times preclude employment, long-term financial security for people caring requires them to be able to combine caring with paid work over the life course.

Within the labour market, caring is written in invisible ink through all the major inequalities. The groups that suffer the biggest penalty in the workplace have one thing in common: higher propensity to care. Those aged over 50 years of age, mothers, lone parents, and Pakistani and Bangladeshi women are most disadvantaged in the labour market. Members of all these groups are particularly likely to care at home.

This analysis of the economic costs of care has two key policy implications:

- An effective strategy on employment and poverty must consider unpaid caring as a critical, and integral, factor.
- Any strategy to reduce inequalities requires a coherent, and integral, policy focus on care.

### **Four principles for policy on care**

Reflecting this understanding of the value of care and analysis of the costs of caring, four starting points for developing and evaluating welfare policy in relation to unpaid care can be set out. These are:

1. Policy should enable opportunities for families to pursue what they value in terms of balancing care work with paid work and formal and unpaid caring.
2. Policy directed at those caring should connect with policy directed at the recipients of care, recognising both parties as having individual needs.
3. Policy should consider individuals' specific circumstances and focus on empowering those individuals.
4. Policy should actively seek to promote equality in caring.

### **Four features of care-centred welfare**

Translating these principles into practice, a welfare system that reflected these principles would have four key characteristics.

1. Each individual would be enabled to participate in society as fully as possible, through both employment and caring, and to access a satisfactory standard of living<sup>3</sup>.
2. Caring would be recognised and supported as a normal part of life, but priority would be given to those for whom security and opportunities are most restricted as a result of caring: those on low

incomes, and those caring at a high intensity.

3. Entitlements in work and welfare would be aligned across caring responsibilities throughout the life course and personalised to respond to individuals.

4. Care would be recognised as a contribution – as an equal form of citizenship to paid employment, and an expected part of life.

Employment and welfare policy currently fails on each of these four objectives, in the following ways:

- Current welfare and employment policies do not actively support people to combine work and care and access a decent standard of living.
- By defining and applying policy for 'carers', policy neither recognises the flexible or fluid nature of care nor prioritises those for whom caring has greatest costs.
- Because current policy sees 'carers' in separate groups as 'parents', 'lone parents' and other groups of welfare recipients, each with different eligibilities and conditions attached to their benefits, it is both incoherent on the position of care across the life course and inflexible in relation to individual circumstances.
- Policy remains unclear on the contribution of different forms of caring across the life course.

### **Four proposals for a care-centred welfare society**

To put care right at the heart of a welfare society, and to consider care coherently right through the life course, this report recommends reform of both welfare and work policies.

#### **1. Move from Carer's Allowance to a single income-replacement benefit**

Carer's Allowance is an inflexible and inactive benefit. Because it assumes a static group of carers, around 40 per cent of those who are entitled to it do not receive it, and it fails to respond to moves into or out of caring. As a result of distinguishing a group of 'carers', there is no coherence with entitlements or expectations for other groups that might be caring. Furthermore, as a passive benefit, it offers little active or personal support to those carers who want to move towards or into work.

To overcome this, Carer's Allowance should become part of a single income-replacement benefit. Replacing Jobseeker's Allowance, Income Support and Employment and Support Allowance as well as Carer's Allowance, a single income-replacement benefit would be available to people who are out of work, whatever their reason. Caring would be a legitimate reason to be out of work. When claiming the benefit, recipients would be asked about their needs and wishes to work in the future, and would be offered personalised support. Conditions (what you must do) as well as entitlements (what you can do) as part of receipt of the benefit would be agreed in dialogue between the claimant and personal advisers.

This would offer carers an active and personalised benefit on a par with those received by others who are not in paid employment. It

3. This refers to income. Policy should also address the costs of caring in terms of social care and other formal services. These costs relate to these services, and not welfare and employment policy, and so will be considered in a second ippr report from this project (Moullin 2008, forthcoming).

would also simplify the system, providing support across the spectrum of caring over the life course, and during transitions in caring. Our research estimates that if this benefit were paid at a rate of £60 a week, this would cost an additional £84 million – a 7.2 per cent increase on the current £1.17 billion expenditure on Carer's Allowance.

## **2. Make Working Tax Credit available at part time for all carers**

Working Tax Credit should be available to those caring for someone in receipt of Disability Living Allowance and Attendance Allowance and who works for at least 16 hours a week. This credit is currently available to families with young children, while families that do not have dependent children but are caring for adults have a 30-hour working week threshold to enter the tax-credit system.

An entitlement to Working Tax Credit for part-time work for all caring responsibilities would align entitlements for carers of adults with entitlements for caring for children. It would support carers in accessing a satisfactory standard of living when they are undertaking some form of paid employment, and would keep them out of poverty. The specific group that would be targeted by this proposal is carers aged 25-64 who do not have children and work between 16 and 30 hours a week.

Given that the average Working Tax Credit claim is just under £50 a week, and the basic rate of Carer's Allowance is £48 a week, this would effectively transfer the earnings limit of Carer's Allowance into an hours limit (16 hours a week) for carers in low-income families wanting to access additional financial support. Together with the single income-replacement benefit, this would remove disincentives and provide financial support for carers to combine some employment with their caring responsibilities, and would help them move out of poverty. Carer's Allowance does not provide this.

## **3. Extend the right to request flexible working to all**

The right to request flexible working should be extended to all employees. This right is currently available for parents with children under the age of seven, disabled children under 18, or 'carers'. The Government announced a review of the extension of the right to request flexible working to parents of older children in the Queen's Speech of November 2007. However, to achieve a sustainable, and fairer, pattern of employment and caring responsibilities, the right should be extended to all employees. A full extension of this right is necessary in order to reach not just current carers but potential carers, and to help shift towards a fairer and more sustainable pattern of caring combined with employment.

Flexible working is needed not only for those currently combining work with care, but for two other, growing, groups: those unable to work because of the difficulty of fitting work around caring, and those for whom taking on caring responsibilities is difficult because of the nature of work. Extending the right to request flexible working to all employees would also make entitlement and the procedure simpler and more transparent, by removing the administrative burden on employers and reducing potential resentment between employees.

Current additional complexities associated with the right to flexible working – that it be a permanent change in contract, and that requests are limited to one request per year – do not meet the particular needs of those caring for adults, where the start of a period of caring is rarely predictable, so these should be removed.

Crucially, the extension of this right would enable and expect people to combine caring responsibilities with paid employment over their life. Only by setting norms about flexible working will the economic exclusion and employment penalty faced by those that do most of the caring be addressed.

## **4. Extend rights to care leave**

There is currently a right to access a 'reasonable' amount of leave from work in emergency situations involving 'dependents', covering both children and adults. Whether this 'dependents leave' is paid is currently at the discretion of employers. There should be a statutory requirement for employers to pay this emergency leave – at least at the minimum wage, if not at actual salary level. Supporting the flexible-working policy, this scheme could operate with the same flexibility, to accommodate unpredictable and emergency caring situations.

Building on the good practice of some major employers, government should consolidate this emergency leave as a step towards a statutory requirement for all employers to offer five days' paid care leave a year. This would explicitly recognise caring responsibilities through the life course and the growing number of people combining caring for adults with employment. It would prevent people from being disadvantaged where employers do not pay care leave, and would prevent further disadvantage among those on low incomes who cannot afford to take leave when caring.

## **Summing up**

By reshaping work and welfare policy, these proposals would move us towards a welfare society in which care is clearly recognised both as a question of fair, sustainable distribution and as a valued contribution. They would form the foundations for a new welfare society – one that recognised unpaid caring clearly and coherently in the welfare system and in the workplace.

# 1. Care across the life course: principles for policy

Unpaid care<sup>4</sup> has always been the invisible pillar of the welfare state<sup>5</sup>. ippr has calculated that the caring done within families and communities in England alone is worth £67 billion in equivalent formal care services. This is calculated on the basis of unpaid caring hours in the Census 2001, at 2006 prices – see the annex for a full explanation of how we arrived at this figure. It is clear that the future sustainability of the health and social care system depends on this care. Yet care is also written in invisible ink through many of the most persistent policy problems. Inequality and poverty often have unpaid caring at their hidden core.

Despite this, care is still one of the grey areas of the welfare state. Childcare has evolved from being a women's issue, or at least a private issue, to being a question of how the state can support children and families (Hughes and Cooke 2007). Although debate about how best to achieve it still goes on, the need to enable parents to combine employment with caring is broadly accepted and childcare has an established agenda as the 'new frontier of the welfare state' (Blair 2005).

But where does caring for adults fit on the policy map? Our current approach to care is incoherent, in terms of what pulls both on the heartstrings and on the public purse strings. In comparison with those who care for children, those who care for older or disabled people have experienced a far less visible, ambitious or coherent policy approach. The current review of the Carers Strategy (Department of Health 1999) and a new Standing Commission for Carers announced by the Prime Minister in September 2007 (Brown 2007) signals a growing awareness that this can continue no longer.

If caring for adults has been relatively far down the policy priority list, this cannot be because the numbers are insignificant. In 2001, around 6 million people provided unpaid care to relatives and loved-ones. ippr has calculated that this caring would cost nearly 6 per cent of gross domestic product (GDP) to substitute with formal social care services.

Demand is also growing. Demographic change alone means that we will need more than double the current numbers of unpaid carers to support care needs under the current formal social care funding system (PSSRU 2006a). Yet social and economic changes will not only raise demand for and the costs of care – they may also simultaneously reduce the 'supply' of unpaid care.

Shining a spotlight on unpaid care for adults reveals how confused our employment and welfare policy is in the way it responds to different forms of caring at different times. It also reveals just how urgent the need is for clarity on care policy.

This report sets out a policy framework for unpaid care. It argues that policy should consider care throughout the life course rather than thinking simply of 'carers' as a discrete group. The report analyses the changing demand for, supply of, and impact of unpaid caring. The report goes on to set out the implications of this approach for employment and welfare policy. As such, the focus is on people of working age caring 'informally' for adults in the home. A second report will examine unpaid care in relation to care services (Moullin forthcoming, 2008).

## The care spectrum

At some time, we all give and receive care. Right through life, to varying degrees, we rely on care from others, and may be relied upon to care ourselves. When we think about the group called 'carers', which people use to describe those who provide unpaid care for an adult who is ill, frail or disabled in some way, it is helpful to consider the wider context of caring.

Caring runs through life and society, but people's experience of it will vary. Policy with regards to caring must be able to recognise different intensities of care provision. The pressures that carers face vary according to the needs of those they care for, and the degree to which they meet those needs. The needs and capabilities of carers will vary significantly in relation to the intensity of care need and care provision. For example, someone with a health problem who is caring for a disabled adult in need of 24-hour support entirely at home will have different choices and opportunities to a person in good health, caring for a relatively independent adult with a long-term health problem who also receives a range of formal care services.

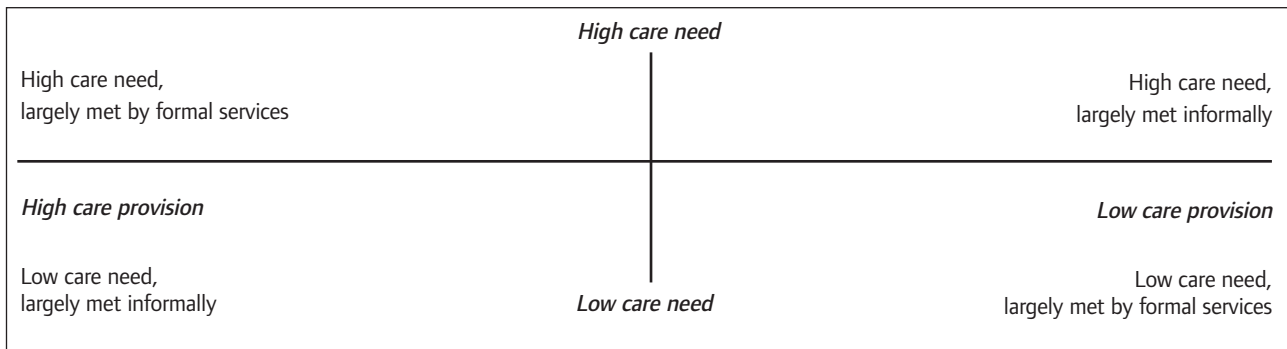
People move along the spectrum of care as the care needs of their loved ones and the appropriateness and availability of formal services change, so policy must be sensitive to the fluidity that is inherent in caring.

Caring occurs across two spheres: the formal economy of services, and the informal economy of practices in households and communities. There is great variation in the extent to which people's care needs are met by social care services and by unpaid caring at home. The availability of one source of care may impact on the other. Caring can therefore be considered along two axes, as Figure 1.1 illustrates. The experience and needs of any individual with caring responsibilities will vary significantly according to the intensity of the care need, and the extent to which it is they, and not someone else, who meets that need. This demonstrates the need to think about unpaid caring (informal care) in relation to formal care services.

4. 'Unpaid care' refers to the personal care carried out on an unpaid basis, usually for family members, as opposed to 'formal' care provided by public or private services. It is also referred to as 'informal care' in academic literature.

5. 'Welfare' is used here to mean the benefits and tax credit systems, along with employment services.

Figure 1.1: The care spectrum



Rather than considering the full spectrum of care, current thinking and policy on care thinks in terms of a single, discrete group of ‘carers’ – usually referring to those caring for disabled or older family members or other loved ones up to a certain number of hours a week (usually 35 hours or over to be eligible for Carer’s Allowance), and ‘parents’ – normally referring to parents of pre-school children, or older children with particular disabilities.

This approach ignores two critical issues. First, thinking about care as something that one group of ‘carers’ carries out for other ‘dependent’ groups ignores the diversity of needs and experience, both among those who give care and those who receive it. The experience of caring relates to the different needs of the cared-for person and the nature of the relationship in which care takes place. For example, caring for one’s young child will of course be very different to caring for one’s adult partner who has mobility problems, which in turn is different to caring for one’s father who has dementia. But polarising ‘independence’ and ‘dependence’ prevents policy from recognising our interdependency over care through life. And separating ‘carers’ from people carrying out other forms of caring prevents policy from responding to the diversity and fluidity of caring relationships across the life course.

Second, defining and identifying a group of ‘carers’ stops us considering care as an essential part of life and a mainstream part of policy. We should seek not just to support those currently caring, but also an appropriate distribution of caring responsibilities. If policy is only focused on a group of current ‘carers’, we are unlikely to have a fairer or more sustainable pattern of caring. And as long as ‘carers’ are polarised from ‘workers’ and the rest of society, care will not be understood and expected as a normal part of life – or valued on an equal basis.

Instead of starting from this narrow approach of ‘carers’, this report focuses on unpaid caring for adults but within the context of the spectrum of caring.

Considering this spectrum of caring helps us to think about the state’s role and priorities in relation to care. The state has a role in providing, financing and regulating formal care services that will shape the intensity with which unpaid care is provided. The state also has some role in affecting the level of care need, through providing preventative services. In addition to this role within formal services, where there is a care need that is largely being met outside of formal services the state has a role in mitigating the costs that unpaid caring can incur. Policy must focus on where choices over care are most restricted as a result of

limited services or financial resources. We would expect those giving care to high intensities and those on low incomes to be a priority for state support.

### Care values

Caring occurs in personal relationships, but these shape, and are shaped by, public activity. Market values that put a premium on autonomy and economic worth can be in tension with valuing care, which stresses our interdependency and moral worth. Recognising this, some argue that an ‘ethic of care’ should be established to balance the prevailing ‘work ethic’ (Kittay 1999, Held 2005). We should seek a better balance between the value attributed to paid employment and that attributed to caring. Caring is a necessary contribution to society and an equal form of citizenship to paid work (White 2003, Pateman 2005). It is also a responsibility in return for which certain rights are due.

Despite a growing acknowledgment of the value of care, because caring incurs costs (in terms of economic security and social status), care, and those that care continue to be undervalued. It is when caring excludes people from economic or public activity – or when caring is thought of as only something that women or members of certain groups do – that those who give care are not visible or valued. For policy to promote the value of care, it must address the costs that caring can involve. It must not only value ‘carers’, but also care as a mainstream part of life.

Recent policy shows some recognition that full-time caring is equal to paid work in terms of accruing pension entitlement, and rights for maternity and paternity leave indicate some recognition that caring is a valuable form of social reproduction – underpinning economic production (White and Cooke 2007). While policy cannot itself express the moral or economic value of care, it can and should prevent, mitigate and share the costs involved in giving or receiving care. Doing so is critical for care work to be valued on a par with paid work, and for choices over care to be real ones.

### Caring relationships

Care has an intrinsic value that cannot be monetised, and caring relationships are different from simple economic relationships because the giving or receiving of care among families and friends does not operate as an economic transaction or contract. Valuing and addressing the costs of care requires thinking about these relationships.

Although the givers and receivers of care are individuals with different interests, their choices are interdependent. Any choice that

a person makes as to where and how they want to be cared for depends centrally on the ability of another to care for them. So, one person's choices about employment could impact on their disabled partner's choice to be cared for at home. Similarly, a disabled parent's choice to live in their own home rather than in a residential home may impact on the ability of their adult child to be employed. Caring across the life course is always relational, though different relationships will be marked by different degrees of interdependence.

There is a need, then, to consider those that give and those that receive care as individuals, while recognising that their capabilities will be profoundly affected by a caring relationship. Independence, dignity and choice are as important to those who give care as to those who receive care. A caring relationship can be loving and rewarding, but giving or receiving care, in any kind of relationship, can affect people's opportunities and security.

The capabilities approach, as developed by Nussbaum (1998), recognises that people's relationships, as well as their rights, play a role in their choices and welfare. This approach has been used to focus on the rights of disabled people who need care: while they

may have some needs that must be met by other people, they remain individuals who should be empowered as far as possible and lead dignified lives (Burchardt 2004, Nussbaum 2006). But it must also be applied to those who give care. As Nussbaum has recognised, 'care has implications for more or less all the central capabilities of both the cared-for and the caregiver' (Nussbaum 2006: 212). Giving care can affect individuals' opportunities, dignity and economic wellbeing, just like receiving it can. This should make care a central social justice issue, and a core public policy concern.

### Principles for policy

The approach taken here to thinking about care points to four principles for policy:

**1. Policy should enable opportunities for families to pursue what they value in terms of balancing care work with paid work and formal and unpaid caring.**

Policy should support people to provide care, and to be cared for, as they choose, but it must recognise that financial and services resources impact significantly on individuals' ability to pursue their preferences. As a result, the policy priorities should be those giving care to high intensities and those earning low incomes.

**2. Policy directed at those caring should connect with policy directed at the recipients of care, recognising both parties as individuals.**

Those who care and those who receive care have different interests, but often their choices are interdependent. Achieving better outcomes for cared-for people – whether children or adults, and whatever the type of care need – depends on securing better outcomes for those who give care.

**3. Policy should consider individuals' specific circumstances and focus on empowering those individuals.**

The fairest, and most effective, provision of public service is often a personalised provision (Diamond 2007). Those who give and those who receive care need to be able to voice and define their own wishes and needs.

**4. Policy should actively seek to promote equality in caring.**

Caring is both an opportunity and a responsibility, with associated value and costs. While caring and decisions around care occur within private relationships, those relationships are shaped significantly by public policy. Policy should not just sustain current patterns of caring, but should also seek a fairer distribution of caring.

#### Box 1.1: Summary of the three key premises behind our analysis

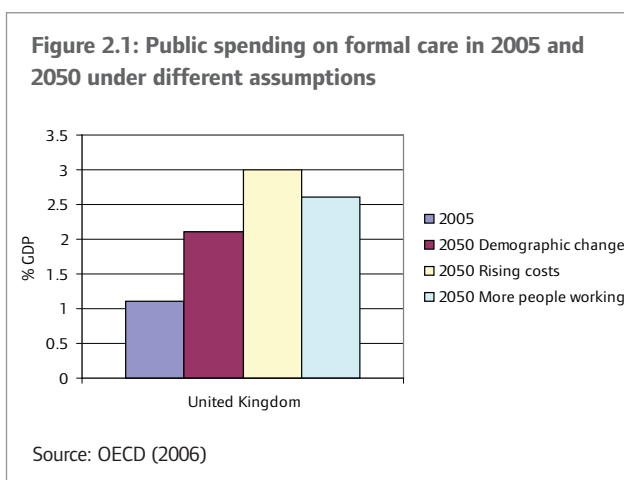
1. Care is a normal part of life, but the experience of caring varies across a spectrum, by intensity of care need and intensity with which care is provided. This in turn is affected by differing levels of formal care provision and care need across the life course.
2. Caring holds personal, economic and social value. Both care and paid work are valuable contributions, in return for which we can expect certain entitlements. Caring is a form of citizenship but should not prevent wider forms of citizenship. Caring and employment are both responsibilities and both offer opportunities beyond their economic value.
3. Caring occurs in relationships, and these relationships have implications for the capabilities of those that give as well as receive care. Both givers and receivers of care have individual needs and interests, but their choices and circumstances are often interdependent.

## 2. Costs of care

The financial cost of care is set to rise significantly. In the coming years, upward pressures on public spending on long-term formal care are likely to be felt across Western societies. Figure 2.1 illustrates how projections of care costs in 2050 vary in relation to different assumptions about changing demographics, rising costs, and, crucially, the ‘supply’ of unpaid care (see Annex A for an explanation of the scenario assumptions made). Projections vary in relation to expectations of ageing and changes in disability across the population. Caring is highly labour intensive, making the relative costs of care likely to rise relative to the rest of the economy (Himmelweit 2005). The expected availability of unpaid care and patterns of employment also play a crucial role in estimates of future care costs.

In Figure 2.1, the ‘more people working’ bar (in light blue) shows the Organisation for Economic Cooperation and Development (OECD)’s ‘increased participation’ scenario. This uses a rise in the paid labour-force participation rates of people aged 50 to 64 as a proxy for a decline in unpaid caring. This projection assumes a labour market participation rate of 70 per cent by 2050 for men and women alike, aged over 50, across all countries. It assumes that this would significantly reduce the availability of people to provide unpaid care.

In the UK, where the Government has a target of 80 per cent of people aged over 50 to be in employment, and is raising the state retirement age (Department for Work and Pensions 2005b), OECD projections show that if 70 per cent of men and women aged over 50 were participating in the labour market in 2050, public expenditure on long-term care would be 2.6 per cent of GDP – or 0.5 percentage points more than the impact of demographic effects alone. Equivalent to spending half again of that spent on public care in 2005, this points to a tension between having both a workforce available to care at home, and a workforce in paid employment.



Projections of possible changes in the composition of carers illustrate how critical unpaid care is to meeting the rising cost of care. If no disabled older people were to receive unpaid care from their children or children-in-law, the Government would currently have to find an extra £0.9 billion to meet the costs of formal care, rising to an extra £2.2 billion by 2026 (Malley *et al* 2006, based on 2002 prices). Furthermore, ippr calculates that if all those providing unpaid care for disabled or older adults in England were replaced with full formal services, the estimated cost would be £67 billion. This would cost an extra 17 pence in the pound on income tax – nearly double the current basic rate (assuming a penny on income tax raises £4 billion). Just considering the care that is carried out by those of working age for at least 20 hours a week, unpaid care would cost more than £15 billion to replace with formal care services. We calculated this by multiplying the hours of unpaid care provided by the costs for equivalent formal services. We assumed that those providing care for over 50 hours a week would have to be replaced by institutional care at a weekly rate, and that hours of care over 20 hours would be replaced by hourly care services. Childcare was excluded from the analysis, and focus placed on those providing care to disabled or older adults. See the Annex for a detailed explanation of this calculation.

Two things are clear amid these different assumptions and projections. The first is that demand and the costs of care are set to rise significantly: at the most conservative estimate, doubling as a percentage of GDP between 2005 and 2050. The second is that unpaid care is clearly very significant to our economy: £67 billion is equivalent to 5.95 per cent of England’s GDP, according to 2006 figures<sup>6</sup>. It is clearly neither possible nor desirable for the demand for care to be met by formal care services alone. Therefore, even if we see significant rises in public social care spending, the ‘supply’ of people available to provide care will remain critical.

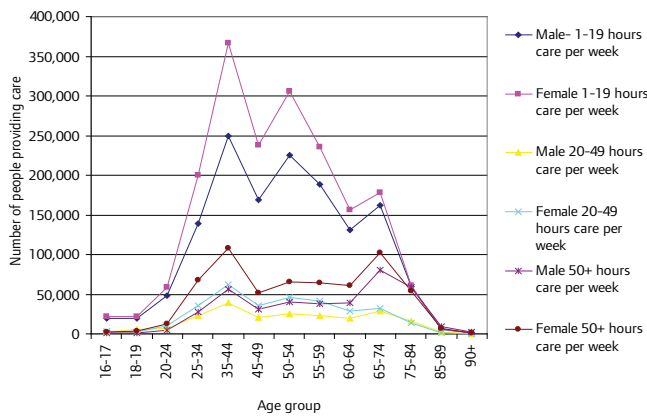
Aside from the social or moral value of caring, unpaid caring has significant economic value. However, unpaid caring is not without its own economic costs – for society and for individuals, as we shall see in the remainder of Section 2.

### The supply of unpaid care

Analysis of the latest Census shows that in 2001 there were 4.78 million unpaid carers in England alone. Caring is something many of us are likely to do: more than half (54 per cent) of people interviewed over a 14-year period reported caring for someone in at least one year (Atkinson *et al* 2007, based on the British Household Panel Survey). But the pattern of unpaid care shows that the ‘supply’ of unpaid care is not evenly distributed, with caring responsibilities still disproportionately carried by women and people in their fifties. This pattern of caring looks increasingly unsustainable, given the effects of changing families in the form of reduced household size, rising childlessness and more people living alone, which has cast doubt on the availability and propensity of

6. For comparison, the total expenditure on health was £88.7 billion in 2006, or 7.1 per cent of GDP (HM Treasury 2007).

**Figure 2.2: Numbers providing care across the life course, by sex and caring intensity**



Source: Census 2001 (Office for National Statistics 2001)

people to care informally (see Dixon and Margo 2006 and Pickard *et al* 2007). This lack of sustainability will particularly be the case if the Government is to meet its target for an 80 per cent employment rate among the over-fifties and an increased level of employment participation among women (Department for Work and Pensions 2005b).

The distribution of caring between men and women, and the intensity of providing care, varies significantly across the life course. Figure 2.2 shows the level of care provided by men and women, but excludes those providing childcare – and so does not show the pressures on the ‘sandwich generation’ that cares for both a child and parent.

A number of important trends can be noted from the 2001 Census data (see Figure 2.2):

- The gap between the numbers of men and women providing care is widest between the ages of 24 and 75 – the key working ages.
- Where care is provided at a lower intensity (under 20 hours per week), women provide more care than men – particularly at working ages.
- For those over 75, the number of men providing care for over 20 or over 50 hours a week exceeds the number of women providing those levels of care. It is likely that this trend occurs when caring for a child or parent is switched for caring for a partner.
- There are three separate peaks in the number of people providing care at all levels of intensity: the 35–44, 50–54 and 65–74 age groups had the largest number providing care.
- There is a relatively stable level of around 75,000 high-intensity (more than 50 hours a week) carers, with peaks for those aged between 35 and 44, and between 65 and 74.
- A larger group of both men and women are providing care at a lower intensity than at a higher intensity.

There is no static population of ‘carers’. The term usually refers to a minority of people who care for more than 20 hours a week, and for long periods. Fewer than 2 per cent of adults interviewed

over 14 years in the British Household Panel Survey reported caring for more than 20 hours a week for eight or more years, but 16 per cent of all adults reported caring for someone for 20 hours a week or more for at least one year (Atkinson *et al* 2007). Over a period of just one year, 6 per cent of all adults moved into caring, while a further 6 per cent moved out of caring (Atkinson *et al* 2007).

However, longitudinal analysis shows that in most cases, within the year in which people moved in or out of caring responsibilities, this shift was not accompanied by a change in employment status. Looking just at those of working age who were caring for at least 20 hours a week, for 9 per cent of people moving in or out of intense caring responsibilities from one year to another the move was accompanied by a change in full-time employment status (Atkinson *et al* 2007). When people started caring intensely within a year, 6 per cent moved out of full-time work, while 3 per cent moved into full-time work.

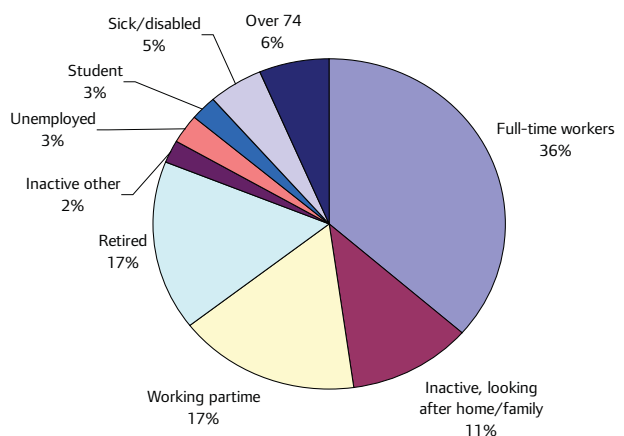
For those who saw their caring responsibilities cease over a year, 5 per cent moved into full-time work, and 4 per cent moved out of full-time work (Atkinson *et al* 2007). Movements between economic activity and inactivity as a result of transitions in and out of caring show a similar pattern. This may be explained by a time lag in the impact on work of new caring responsibilities, or there may be a shift from full-time to part-time work that this analysis does not capture. While caring is often fluid, employment can be inflexible.

**Working and caring**

Most people who spend time caring are of working age. The analysis of the Census 2001 in Figure 2.3 shows that more than half (53 per cent) of all carers (those providing over one hour of unpaid care each week) were also in full- or part-time employment. That leaves almost another half of all carers who were either retired or otherwise economically inactive.

Census data also shows that in 2001, just under half (46 per cent) of working-age carers providing care for between 20 and 49 hours a week were in paid employment. This figure is seven percentage points less than that for those caring for any number of hours a week. When the intensity of care rises to over 50 hours, a

**Figure 2.3: Employment status of all people providing unpaid care**



Source: Census 2001 (Office for National Statistics 2001)

there is a further seven percentage-point drop in the number of carers also in paid employment, to 39 per cent. As would be expected, the higher the intensity at which people care, the more difficult it becomes to combine care with paid work. In 2001 men were less likely than women to be in any kind of paid employment if they were caring.

There is a complex relationship between caring and economic inactivity. Regression analysis has shown that those caring for between one and 19 hours a week were no less likely to be working than the population as a whole (McKay and Atkinson 2007). Unsurprisingly, the greater the intensity of caring, the less likely an individual is to work. Caring for between 20 and 49 hours a week halves the chances of working, and caring for more than 50 hours a week halves the odds again (*ibid*). Table 2.1 shows the chances of being in any paid employment, by gender and intensity of caring. These ‘odds ratios’ are found through logistic regressions, which isolate the impact of caring at different intensities from other characteristics.

**Table 2.1: Caring intensity and likelihood of being in paid work**

	Men	Women
Caring 1-19 hrs/wk	1	1.07
Caring 20-49 hrs/wk	0.54	0.61
Caring 50+ hrs/wk	0.23	0.3

Source: McKay and Atkinson 2007

Despite the fact that caring at high intensities makes being in paid employment more difficult, it is unhelpful to think of ‘carers’ and ‘workers’ in separate categories. Doing so obscures the labour involved in unpaid caring and the fact that many people do, or wish to, combine paid employment with caring. Moreover, it is simplistic to think about the supply of ‘carers’ as in inevitable tension with the supply of ‘workers’. It is the balance of care work and paid work that is important: more people taking on some caring responsibilities could enable more people caring to take on some paid employment, for example.

### Opportunity costs of caring

Our analysis above of the demand for care shows how much unpaid care would cost if it were replaced by formal services. But unpaid care itself is not ‘free’. In terms of the earnings that carers forego

when they are out of the labour market and caring instead, unpaid caring has clear economic costs as well as value.

Our original analysis of what people give up financially when they are out of paid employment, and caring instead – the ‘opportunity costs of care’ – shows that these costs are significant in our economy (see Annex B for a full explanation of our analysis). Table 2.2 shows the costs at the societal level, in terms of the earnings lost (income foregone) by those who are economically inactive and providing at least 20 hours of care a week, compared with the cost of equivalent formal care services – the ‘market replacement cost’. In reality, an hour of unpaid care in the home is not directly equivalent to an hour of formal care service, and enabling unpaid carers to work would not demand the full formal care replacement cost shown here.

Reshaping or providing support services can support carers at a lower cost (Yeandle *et al* 2007). Therefore, the figures provided in the table give a conservative estimate of lost earnings as a proportion of the cost of equivalent formal social care services.

The main findings from this analysis are:

- All those of working age who were providing unpaid care for more than 20 hours a week and were economically inactive missed out on nearly £5.47 billion in income a year. This figure equals nearly three-quarters of what it would cost to substitute that care with formal services.
- As a group, those who retired below retirement age and were caring for more than 20 hours a week lost out on £1.85 billion in annual income. Again, this is around three-quarters of the cost of substituting that care with formal services.
- As a whole, all those who were economically inactive, of working age and providing at least 20 hours of care lost the economy £8 billion in potential earnings.

The opportunity costs of being out of the labour market due to caring responsibilities are likely to be higher for those caring for adults than those caring for children – simply because the carers are likely to be older and have a higher earnings potential. As yet, however, there has been little consideration given to the economic effect of the balance between formal and unpaid care. Providing formal care services may enable some people currently unable to access paid employment because they are caring to enter the labour market. At the societal level, the potential economic gains of this need to be balanced with the costs of providing formal care services.

**Table 2.2: Lost earnings from unpaid care in relation to formal care costs**

	£ billion (2006 prices)		
	Forgone earnings (annual)	Equivalent formal services cost	Lost earnings as % of the cost of formal care services
Of working age, economically inactive and providing at least 20 hours of unpaid care a week and...			
Looking after home/family	5.47	8.73	63%
Early retirement	1.85	2.8	66%
Other economically inactive	0.8	1.21	66%
Total	8.12	12.75	64%

Source: Census 2001 (Office for National Statistics 2001), CSCI 2006 and ippr calculations (see Annex B)

Table 2.3: Costs of not earning a market income versus formal care costs\*

	Aged 35-44, providing 20-49 hours of care a week and economically inactive	Average income forgone	Care replacement cost	Difference
Men	Level 4/5 qualification	£40,900	£26,400	£14,500
	No qualifications	£19,000	£26,400	-£7,400
Women	Level 4/5 qualifications	£31,200	£26,400	£4,800
	No qualifications	£13,300	£26,400	-£13,100

\*Note: These are based on aggregate data – see Annex B for calculations. All figures are costs per year.

Level 4/5 qualification is degree-level or equivalent.

Sources: Census 2001 (ONS 2001), Labour Force Survey 2006 and CSCI 2006. Figures are rounded to the nearest £100

The economic impact of being out of paid employment to undertake caring responsibilities varies significantly: for men and women, according to the level of a person's qualifications and the intensity at which care is provided, as illustrated in Table 2.3. Comparing this market-earnings loss with the costs of substitute formal care gives a basic indication of the balance of costs of care between formal and informal spheres (paid and unpaid care) for different groups.

These figures illustrate the financial dimension of decisions within families around the affordability of caring at home compared with the affordability of formal care. Formal care, even where it is paid for privately, will be paid for by the person receiving rather than giving care. The figures show, from the perspective of family or public economics, that for some people formal care costs will be lower than the costs of being out of paid employment and caring instead.

A person's gender and relationship with the labour market are the two critical factors in the economic costs of caring: with formal care being a cheaper option for high-skilled people and men, and caring at home the only option for low-skilled people and women. This points to a cycle of disadvantage. If caring at home and being economically inactive is a cheaper option for people with low qualifications and women, unless policy addresses this, it will be low-skilled women that take on most of the caring responsibilities. As a result, these groups may remain at higher risk of economic exclusion, poverty and employment penalties.

The ippr analysis of the market-replacement costs and opportunity costs of care exposes a double pressure on public economics. On the one hand, we need to have people providing care to secure the financial sustainability of rising social care costs. On the other, we need people in paid employment to fund rising social care costs, and to keep their families financially secure<sup>7</sup>. Whatever the social and personal value we attach to different forms of caring, the economic costs involved makes the balance of care provision between formal and unpaid services an important economic consideration.

We now move on to discuss the impact caring has on patterns of social and economic inequalities.

### Impact on patterns of social and economic inequalities

The distribution of caring responsibilities underlies many social and economic inequalities. Caring activities shape levels of economic activity, and therefore patterns of poverty and exclusion. A number of dimensions of key inequalities – particularly gender, disability and age – are heavily affected by patterns of caring. This suggests that caring must be considered as a central social justice issue. It also points to a pressing economic question: the more imbalanced the distribution of care and the costs incurred by caring, the less sustainable we can expect the 'supply' of carers to be.

Carers are not at a higher risk of relative poverty than the population as a whole. While 30 per cent of economically inactive carers were in relative poverty, 7 per cent of employed carers were in relative poverty. As Figure 2.4 shows, employment status also appears a more important factor than the intensity at which care is provided, although those caring at higher intensities are less likely to be employed.

Despite the overall importance of employment status among those who are employed and caring, caring often shapes the types of employment they choose, and their career progression, and therefore social and economic inequalities. All the key groups highlighted by the Equalities Review (2007) as suffering employment penalties in the labour market provide above-average levels of care.

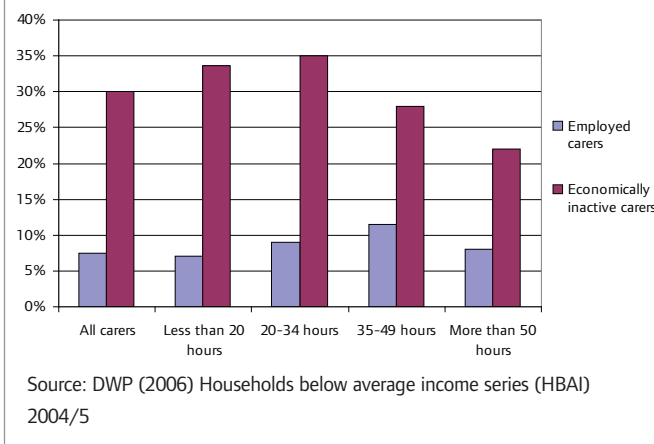
Comparing with people with otherwise similar characteristics, a number of circumstances caused certain groups to experience significant employment penalties. This is shown in Figure 2.5.

#### Gender inequality

Gender inequality cannot be understood without analysing the distribution of caring responsibilities. Section 4 outlines how patterns of caring vary, and the differing costs involved in caring, by sex and age. Caring relates more strongly to economic inactivity for women than for men. According to the 2001 Census, of those who care intensively, 61 per cent of women were economically inactive, compared with 48 per cent of men. Of all those who were 'economically inactive, looking after

7. In this report, we focus on the employment and welfare side of this equation. The implications for the design and funding of formal care services and service support for carers are also significant, and will be developed in a subsequent ippr paper (Moullin forthcoming, 2008).

**Figure 2.4: Risk of relative poverty, by caring intensity and employment status**



home/family’, 93 per cent were women (Office for National Statistics 2001). Over 20 per cent of women who were ‘economically inactive, looking after home/family’ provided unpaid care to adults. Yet over half of men who were ‘inactive – looking after home/family’ provided unpaid care to adults, and nearly a third provide care at the highest intensity.

It is likely this pattern is explained by women taking on the majority of caring responsibilities that relate specifically to children. Even among those providing the highest levels of care – more than 50 hours a week – women are more likely to be excluded from the labour market than men.

The impact of caring on jobs is also greater for women. Of those who care for more than 20 hours a week and are in paid work, men are far more likely to work full time (87 per cent of men caring worked full time, compared with 38 per cent of women carers). Caring plays a crucial part in the concentration of women in low-skilled jobs and the gender pay gap. Over half (55 per cent) of women who are in paid work and caring for 20 hours or more a week are in elementary occupations such as catering assistants or domestic services (Buckner and Yeandle 2006).

Women taking on caring responsibilities – throughout life, and not just as new mothers or ‘carers’ – is one of the main causes of

the pay gap between men and women. Caring is linked with women working part time and in low-paid job sectors. This, as well as discrimination, fuels a pay gap of 17 per cent between women and men working on a full-time basis and the fact that women working part time earn just 38 per cent of the hourly rate earned by men working full time (EOC 2007a).

**Ethnicity**

Attitudes and expectations around caring vary by ethnicity as well as by gender. Many women from black and minority ethnic groups have more significant caring responsibilities than white British women because they are more likely to have large families, responsibility for looking after adults in the extended family, and/or are lone parents (EOC 2007b). For example, 63 per cent of economically inactive Pakistani women and 72 per cent of Bangladeshi women said they did not want to work because they were looking after family members (Office for National Statistics 2006). These women were significantly more likely than their peers to be caring for more than 20 hours a week, and to be living in poverty.

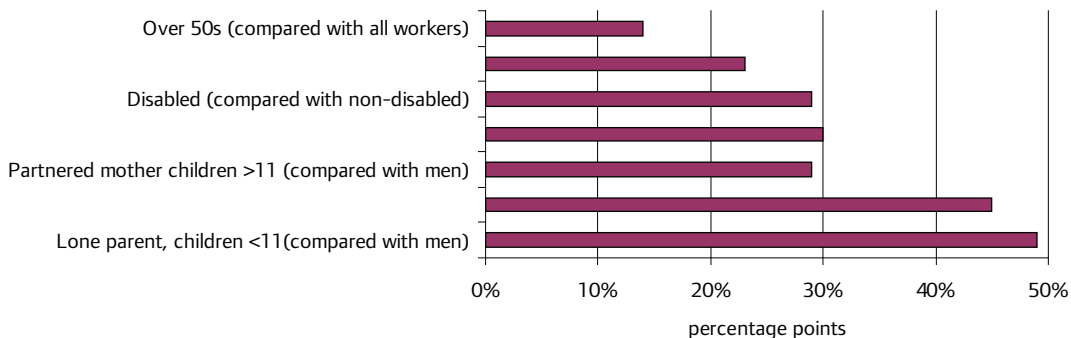
**Lone parents**

Lone parents, who have less opportunity to share caring responsibilities within a partnership, are more likely to experience labour market exclusion than partnered parents. The employment rate for lone parents was 56.5 per cent in 2006 – and related to this, two-fifths of all children living in poverty lived in lone-parent households (Department for Work and Pensions 2007a). Furthermore, 35 per cent of lone mothers who were not in paid work had disabled children (Prime Minister’s Strategy Unit 2005).

**Older workers**

Older workers are particularly affected by caring responsibilities. Over a quarter of those aged between 50 and state retirement age are ‘inactive’ economically (Department for Work and Pensions 2007b) and, as our analysis of the Census shows, large numbers from this age group provide unpaid care. Of retired people between the ages of 45 and 59, 28 per cent of the women and 24 per cent of the men were carers. One survey of nearly 3000 carers found that on average, carers retire from paid employment eight years earlier than other workers, missing out on income and pension contributions (Carers UK 2007a).

**Figure 2.5: Comparison of employment penalties for different groups (early 2000s)**



Source: Berthoud and Blekesaune (2007)

**Disability**

There are two notable relationships between caring and inequalities associated with disability. Disabled people are more likely to experience exclusion from the labour market and poverty than non-disabled people, and the same is true for those who care for them. This is largely because caring can prevent employment. Whereas nearly two-thirds of mothers with non-disabled children were in paid work, only 16 per cent of mothers of disabled children were (Langerman and Worrall 2005).

The intensity of caring required for disabled children also prevents more women with disabled children from working full time than mothers with non-disabled children – just 3 per cent compared with 22 per cent (Office for National Statistics 2002). This is a critical part of the explanation for why more than half (55 per cent) of families with disabled children live in or on the margins of poverty (that is, with less than 60 per cent of median income) (HM Treasury 2004).

There is also significant overlap between those who care and those who are disabled. In the Census 2001, 5 per cent of carers reported being sick or disabled themselves. Of those who were economically inactive due to a disability, 13 per cent were also carers – 5 per cent providing more than 50 hours of care a week.

Caring, then, is the hidden core of economic inactivity, poverty and inequalities. Unpaid caring is not another dimension of inequality and poverty experienced by one single group: it is a significant driver behind patterns of exclusion and disadvantage. These patterns intersect: any individual may fall into a number of groups – older people, disabled people, women, lone parents and carers. This tells us that any strategy for equalities and for employment must have a clear integrated strategy on care that starts from the position of individuals, not from that of a discrete group of carers.

## 3. Care in a new welfare society

What would a society that considered care right at its heart and across the life course look like? The concept of care developed in this report leads to four principles for policy on care (see Section 1). The following are the four key features of a welfare and employment policy that would reflect these principles:

1. Each individual would be enabled to participate as fully as possible in society, through both employment and caring, and to access a satisfactory standard of living<sup>8</sup>.
2. Caring would be recognised and supported as a normal part of life, but priority would be given to those for whom security and opportunities are most restricted as a result of caring: those on low incomes, and those caring at a high intensity.
3. Entitlements in work and welfare would be aligned across caring responsibilities throughout the life course and personalised to respond to individuals, rather than ‘carers’ or ‘dependents’ as generic groups.
4. Care would be recognised as a form of citizenship and equal contribution to paid employment, and an expected part of life.

Employment and welfare policy alone could not reflect the full economic value of care or capture its intrinsic value. But policy can, and would, provide a framework through which caring responsibilities are recognised and accommodated – both in the welfare system and in the workplace.

Employment and welfare policy currently fails on each of these four objectives, in the following ways:

1. Current welfare and employment systems do not actively support people to combine work and care and access a satisfactory standard of living.
2. By defining and applying policy for ‘carers’, policy neither recognises the flexible or fluid nature of care nor prioritises those for whom caring has greatest costs.
3. Because current policy sees ‘carers’ in separate groups to ‘parents’, ‘lone parents’ and other groups of welfare recipients, each with different eligibilities and conditions attached to their benefits, it is both incoherent on the position of care across the life course and inflexible in relation to individual circumstances.
4. Policy remains unclear and incoherent on the contribution of different forms of caring across the life course.

### Policy proposals

This report proposes the following changes to policy, discussed in more detail below:

- Moving from Carer’s Allowance to a single income-replacement benefit
- Making Working Tax Credit available to part-time workers for all those caring
- Extending the right to request flexible working to all
- Extending rights to care leave.

### Proposal 1: Move from Carer’s Allowance to a single income-replacement benefit

Carer’s Allowance (CA) is the main out-of-work benefit for carers of adults. It is available to those caring for at least 35 hours a week for someone in receipt of Disability Living Allowance (DLA) or Attendance Allowance (AA), provided that the person caring does not earn more than £87 a week<sup>9</sup>. In its current form, this allowance is ineffective at meeting the four objectives for welfare policy set out above. This is because it operates a sharp distinction between ‘caring’ and ‘employment’ and between ‘carers’ and other welfare recipients.

In its current design, the whole system of benefits and employment support is based on an opposition between ‘caring’ and ‘employment’. This means that care and employment are often ‘all-or-nothing’ choices – with ‘carers’ being a fixed and polarised group, set aside from ‘workers’. Carers are also sharply distinguished from other people who are out of work and in need of income replacement or Income Support. Groups such as parents of young children, lone parents, disabled people, older people and those seeking work are each treated as a different cluster of claimants, each with a different package of support in terms of level of income replacement, support and expectations about going back to work.

If Carer’s Allowance is intended to be an income-replacement benefit, it is not working. The rate of the benefit is lower than any of the income-replacement payments designed to support people back to work – just £48 a week. While other income-replacement benefits vary according to the employment and skills support linked to the benefit, and to the level of work-related activity that is required for receipt of the benefit, the employment support needs of carers are not proactively considered or met.

The Carer’s Allowance, in contrast with other income-replacement benefits, such as Jobseeker’s Allowance (JSA), Income Support, the Employment and Support Allowance (ESA, replacing Incapacity

8. This refers to income replacement. Policy should also address the costs of caring in terms of social care and other formal public services, recognising that support for the costs of formal care services for the cared-for person are directed at those that receive rather than give care. These costs relate to these services, and not welfare and employment policy, and so will be considered in the next report.

9. Eligibility for Carer’s Allowance (CA) is based on care need, assessed by either Attendance Allowance (AA) – paid to over-65s with a long-term illness or disability, or by the middle or higher rate of the care component of Disability Living Allowance (DLA) – those under 65 in need of regular help or supervision. The earnings limit will rise to £95 a week from April 2008. CA is also subject to an education limit of 21 hours a week. In addition to CA, Carer Premiums are extra amounts used in the calculation of some means-tested benefits (Income Support, Jobseeker’s Allowance, Housing Benefit and Council Tax Benefit).

Benefit), is passive. It does not support carers' engagement with the labour market through skills training or employment support; nor does it act as an incentive to enable people to care.

CA does not provide a package of support to enable people to combine care with employment. In 2004, when Work-Focused Interviews were a mandatory part of claiming CA, only a small minority of those entitled to employment support actually received it, and no carers accessed work or training as a result (Arksey *et al* 2005). Work-Focused Interviews are now voluntary for those in receipt of CA. As the Government recognises in its welfare reform Green Paper, 'periods of caring vary significantly, so raising the issue of work-related activity when caring starts may be inappropriate in many circumstances' (Department for Work and Pensions 2007b: 48).

The intensity of care also varies significantly, and for some this will prevent employment being an option. However, support must be available to those who want to combine work with care. Over 40 per cent of full-time carers said they would rather be in paid work, yet the same study found that only 5 per cent of carers were actively seeking employment (Yeandle *et al* 2007).

This is a major flaw of the system because, as we saw in Section 2, it is when carers are unable to undertake any employment that their risk of poverty rises significantly. As a review of international models of welfare payments to unpaid care concludes, 'payment models that assume unpaid care to be largely incompatible with paid employment risk exposing carers to longer-term financial insecurity and social exclusion' (Glendinning and Kemp 2006: 135). Indeed, spending on CA in 2004/5 was estimated to be £1.1 billion (Department for Work and Pensions 2005a).

With limited resources in the welfare system, failing to focus such resources on those for whom caring creates the greatest risk to their security and opportunities allows patterns of poverty and inequality to persist. Failing to provide adequate support for carers who want to combine some employment with caring may mean the Government failing to reach its own current targets for the welfare system: to increase employment and to end child poverty.

As well as assuming an opposition between caring and employment, defining a group of exclusive 'carers' does not capture the full spectrum of caring responsibilities throughout the life course (as we saw in Section 1). CA currently operates on a sharp distinction between 'carers' and all other groups of 'worker' or potential workers. There are, of course, legitimate reasons why different individuals have different needs and abilities to work. However, thinking in terms of discrete groups of people does not capture these variable needs within groups, or movement between groups.

These groups also fail to account for cases of overlap where a single individual could claim under more than one group – for example, a disabled person who is also over 50 years old, or a lone parent who is also under 25. Further, they do not consider how caring could run through all these groups: many parents, lone parents and older or disabled people are also carers. Nor is directing policy to a group currently identified as 'carers' likely to change the distribution of caring patterns across society.

Different benefit types rarely relate to individuals' identities: for carers for adults especially, many people caring at even high

intensities do not identify with the term 'carer'. In 2006, 43 per cent of those known to the benefits system to be entitled to Carer's Allowance were not receiving it, leaving 350,000 without full support. One survey of carers found that those who did identify with the term 'carer' took a long time to do so – 65 per cent of people with a caring responsibility did not identify themselves as a carer in the first year of caring, and a third took more than five years to do so (Carers UK 2006).

Further, with over a third of carers moving in and out of caring responsibilities within a year (Carers UK 2006), the category 'carers' is not flexible enough to incorporate everyone involved in caring activities. Even when they heard about eligibility for certain benefits, carers often waited several months before applying (Hawkins *et al* 2007), and research among professionals and service users found that the system was inflexible in accommodating moves in and out of caring (Arksey *et al* 2005).

Related to these limitations is the fact that the current system is impersonal. This is a problem because among 'carers', as across different groups of welfare recipients, the degree to which caring prevents employment varies. The intensity of caring varies according to a range of factors – the level of care need, the level at which formal services support or meet that need and the nature of the caring relationship. This spectrum of caring across the lifecycle requires a personalised, but active, response to the welfare needs of individuals. It requires thinking not about welfare support for 'carers', but welfare support in caring – recognising care as a normal and valuable part of life.

Because employment support and expectations are tied to different benefits for different groups, the individual needs of many carers are not met. Requirements (what carers must do with regards to work-related activity) and support (what carers can do in terms of training or learning) are locked into benefit type, rather than being personalised to individuals' needs and circumstances. What is more, the multiple designated 'groups' of benefits and claimants make the whole welfare system extremely complex and opaque. This is disempowering.

Qualitative research with carers found that while Personal Advisers were generally thought to be helpful, some carers found the welfare system intimidating and patronising (Arksey *et al* 2005). Further research, conducted for the Department for Work and Pensions, found that neither professionals nor users of disability and carers' welfare services thought there was much interaction between the service and its users (Hawkins *et al* 2007). A lack of information, advice and support in navigating complex services and entitlements has been identified as a major problem for many carers (Carers UK 2006). As a consequence, the provision of 'information' is emphasised in the current Carer's Strategy (Department of Health 1999), and the New Deal for Carers announced that a review of this would start with a helpline number for carers to access information and guidance (GNN 2007). This is partial cure, not prevention: providing a service to empower certain groups within a service, rather than making the welfare service empowering and personalised for all.

Finally, and fundamentally, the current system offers no clarity on caring as a contribution. The entitlements and expectations in the

welfare system for other groups involved in caring – such as parents, lone parents and carers – or, indeed, those out of work for other reasons, such as a disability all vary.

Recent proposals to increase the work-related activity requirements for lone parents sit uncomfortably with the voluntary Work-Focused Interview for those caring for adults. There is a sharp distinction in expectations about work for those caring for disabled children (up to their 18th birthday) and those caring for ‘non-disabled’ children (usually up to their 16th birthday). This seems unduly arbitrary: the intensity of care provision is not captured clearly by age limits – a rigid contrast between ‘disabled’ and ‘non-disabled’ care or between coupled or lone parents.

The CA, to the extent it operates on a different basis of entitlement than other out-of-work benefits, could be seen as a payment to recognise the contribution of caring. But it is not intended to be a ‘wage’ or to ‘incentivise’ caring. The figure of £48 a week does not reflect the economic value of that care work, and it is not clear if any level of payment could reflect the personal or moral value of care. Indeed, a wage payment to carers in return for caring may well commodify what people experience as a relationship.

Qualitative research with claimants of CA found that some felt guilty applying for the benefit because ‘they believed they were being paid to undertake caring duties which were part of the general responsibility for the family’ (Hawkins *et al* 2007: 33). This is a significant reason why take-up among the eligible population is so low. Moreover, it confuses income replacement, and support with employment, with meeting the other costs of care. There has been an important move to direct support for the costs of care primarily towards the user with the care need themselves, through Direct Payments and currently piloted Individual Budgets, and a welfare payment to carers could confuse that.

A more coherent system would have a clear, consistent principle – that care is a valued activity equivalent to work – and would apply that in practice, according to individual circumstances. While the welfare system cannot reflect the value of care in the level of its payment, it can be clear in its recognition that caring is a valid reason to be out of work, and can mitigate the costs and disadvantage associated with being out of work due to caring responsibilities.

#### A single income-replacement benefit

To achieve the more coherent system described above, ultimately CA should become part of a single income-replacement benefit. Stanley and Sainsbury (2007) set out the detailed case and workings of this proposal. The basic tenets are simple: by replacing Job Seeker’s Allowance, Income Support and Employment and Support Allowance as well as CA, a single income-replacement benefit would be available to people out of work for whatever reason. Caring would be a legitimate and valid reason to be out of work.

In the process of claiming the benefit, two ‘gateway questions’ would be asked:

- ‘Do you think you will be able to work at any time in the future?’
- ‘Do you want to work in the future?’

It is likely many carers would answer ‘yes’ to both these questions (Yeandle *et al* 2007). However, answering ‘no’ to the first question would be absolutely acceptable for people with caring responsibilities. The intensity of caring – as well as people’s health or disabilities – would be highly relevant factors in considering engagement with, and routes back into, employment.

The process of asking these questions would facilitate a conversation with a personal adviser, thus enabling carers to voice their own needs in relation to employment. Support could be directed in the short or long term, depending on the expected period and changing demands of caring. This would mean carers no longer being treated separately from other claimants in receipt of benefits, and no longer being ignored in terms of employment support. Carers would be able to access active support as part of their benefit claim, on a par with other groups that are out of work for other reasons.

As part of the benefit, conditions (what the claimant must do) as well as entitlements (what they can do) would be agreed in dialogue between the carer and personal advisers. Certain levels and forms of employment are allowed under Incapacity Benefit and Income Support as well as CA, which limits work by earnings rather than by hours. The single benefit could simplify rules around permitted work across all claimants.

There are two key benefits to this proposal that would overcome the problems with CA as set out above:

- The benefit would be active and personalised. Income-replacement and employment support for carers would be on a par with those for other groups who are not in paid employment for any other reason. Conditions around work-related activity would be personalised in relation to the intensity of caring, with caring across the life course clearly a legitimate reason to be out of work. Personal advisers would have discretion (in dialogue with the carer) to broker employment and training services for the carer, and carers could top up their benefit with some level of work
- Individuals involved in caring would be able to access a simple, single, flat-rate benefit, rather than having to navigate complex eligibility criteria. By not requiring people to self-identify as carers to access support, the benefit would provide support over the spectrum of caring across the life course and over caring transitions.

In addition to the core proposal for a single income-replacement benefit, there are a number of connected options to be considered, as follows:

- There could be a 12-week universal period, after which the benefit would be means-tested at the same rate as Income Support. The means test would replace the current earnings limit on CA. A 12-week universal period would enable support in short spells of caring and over the transition into caring, as well as preventing a means test deterring people from accessing support when they need it. As the earnings limit is in effect an income means test, it is difficult to know precisely who would benefit from this proposed change.
- Calculating eligibility on an individual, rather than household,

basis could better recognise the financial independence of women and those with caring responsibilities within a household. It would also remove complexity about registering relationship changes and remove disincentives for a second earner in a household to work more hours.

- A step moving towards this single income-replacement benefit would be for Carer's Allowance to come under the Employment and Support Allowance (ESA), which is currently proposed to replace Incapacity Benefit. New claimants who would have received Carer's Allowance could come onto this scheme. Transitional protection could be offered to claimants, depending on the rate at which the single income-replacement benefit was set.
- Replacing Carer's Allowance with a single benefit focused on income replacement would simplify the purpose and objective of the payment. For other costs associated with giving care, or where caring is a full-time job that would otherwise require residential care services, this should be separate from income replacement and the responsibility of the social care system rather than the welfare system<sup>10</sup>. This is important to ensure that the different purposes of payments around care between those that give and those that receive care are clear. Financial support and recognition for carers through the social care system will be examined in the next report.

#### Costs of a single income-replacement benefit

Estimates of the cost of a single income-replacement benefit replacing Jobseeker's Allowance, Income Support and Incapacity Benefit (Employment and Support Allowance), but not CA, show the cost of this policy to be an increase of expenditure of between £35 million and £633 million (a 0.2–3.2 per cent increase on current expenditure) if the rate were set at £60 (Stanley and Sainsbury 2007). Options for the actual rate of the income replacement payment would have to be fully modelled and, ultimately, the rate would be based on a range of economic and political considerations.

For the purpose of illustration, if we assume the rate was set at £60 a week and take-up and flow on and off benefits does not change, we estimate the cost of replacing CA with a single income-replacement benefit to be £84 million per year over and above the £1.17 billion that is currently spent on CA (an increase of 7.2 per cent). This calculation also assumes the benefit is paid on a universal basis for an initial 12-week period, but is then means-tested (see Annex C).

The single income-replacement benefit would also replace Income Support and some carers in receipt of CA are also entitled to Income Support and a carer premium. The Government currently spends approximately £1 billion a year on this Income Support to carers. This money could be redirected to carers through more generous benefits to meet the extra costs of care or through tax credits (which could also be claimed by carers if they are in work and so would not create disincentives to combine work and care).

A single income-replacement benefit would not require claimants to self-identify as carers and would remove complex eligibility criteria. The universal 12-week period would prevent a means-tested benefit from deterring eligible carers from claiming. As a result we might expect that some of those currently not claiming CA – some 40 per cent of those currently entitled to it – to take up the income-replacement benefit. The potential impact of this on expenditure requires more detailed modelling.

#### Proposal 2: Make Working Tax Credit available at part-time hours for all carers

Working Tax Credit (WTC) currently helps low-income families with children whose parents work part time. Families with young or disabled children, and workers with a disability or aged over 50 and returning to work, are eligible for WTC provided at least one adult works 16 or more hours a week.

Families with an adult carer currently have to work at 30 hours or more a week to be eligible. This means that there is a group of adult carers for whom the tax credit system offers no support or incentive to combine work with care. It also presents an inconsistency in the expectations of the level at which carers for adults and carers for children can be expected to work. The intensity of caring for adults, as well as for children, may preclude full-time employment. Where it does, it seems unreasonable to expect people with caring responsibilities for adults to work a minimum of 30 hours a week to claim extra financial support.

Working tax credit should be available to those caring for someone in receipt of DLA and AA and who are working for at least 16 hours a week. Eligibility would otherwise operate as it does now, to prevent the tax credit system from getting yet more complex. Those with significant caring responsibilities for adults could be identified by requiring someone to be caring for someone in receipt of DLA or AA.

Recipients of WTC that include a disability or child tax-credit element are also entitled to a number of health and related benefits, including free prescriptions, dental treatment, sight tests and glasses, provided that gross annual income does not exceed £15,000. These should also be available to carers of adults who are working at least 16 hours a week in recognition that caring, as well as employment, is a valued activity.

In summary, an entitlement to WTC for part-time work for all caring responsibilities would:

- Align entitlements for carers for adults with those entitlements for caring for children. As such, it would benefit those working part time and caring on a low income. For example, at present those on low incomes caring for a disabled child and working between 16 and 29 hours a week would see a loss in income when that child turns 18.
- Help the carer access a decent standard of living when they are undertaking paid employment on a part-time basis, and thus help them out of poverty.

10. For example, Direct Payments are an arrangement in the social care system through which users and carers receive an allocation of cash rather than directly provided services, enabling them to purchase the services or formal care they require. Direct payments can go to carers as well as cared-for people, but carers are restricted to purchasing services for themselves. The choosing and purchasing of formal care services are in the hands of the user with the care need. In exceptional circumstances, some authorities allow people in need of care to pay for family members.

- Enable the tax credit system to be focused on support for low-income, working families – whatever the age of person they are caring for.
- Recognise the value of caring as well as working, enabling people to combine both more effectively.

The people who would benefit from this proposal are those who are caring, aged 25-50, or 25-64 if not returning to work (those aged between 50 and 65 can access WTC if they are ‘returning to work’), without children, and working between 16 and 30 hours a week. These people are currently not eligible for WTC, and would be brought into the system under the proposal. Those carers who are not currently eligible for financial support from Carer’s Allowance because they are employed for some hours a week, but earn over the earnings thresholds, would also see their incomes rise.

The amount of tax credit received by working low-income families varies widely according to family type and family income. The amount that families with adult caring responsibilities working part time would receive in tax credits would vary depending on their household type and income. Therefore, to make a good estimate of the costs of this alignment of part-time hours for WTC, this policy would have to be modelled looking at current patterns of spending, and based on a reliable assumption about the number of low-income families with adult carers working part time, without young children<sup>11</sup>.

Given that the average WTC claim is just under £50 a week, and the basic rate of CA is £48 a week, this would effectively transfer the earnings limit of CA into an hours limit (16 hours per week) to access some financial support for carers in low-income families. This would turn the current lack of incentive to combine work with care associated with CA, into an incentive and financial support to combine some work with care. This is a more appropriate policy to enable carers to access a decent standard of living, and to support a fairer and more sustainable distribution of caring and of employment.

Together, proposals 1 and 2 as described here would provide recognition and support of caring responsibilities for those in and not in employment. They would shift the system towards supporting and expecting people to combine working with caring, as a route to access a decent standard of living.

To marry a target for full employment with people’s aspirations for caring in families, work as well as welfare needs to change. Policy in support of this change forms a crucial part of enabling the fullest participation of disabled people, older people and carers alike. Work-life-balance policies need to be clear that they are not additional benefits for some, but entitlements that are essential for society to meet our ambitions for employment and equalities. This requires changes to flexible working and leave policies.

### **Proposal 3: Extend the right to request flexible working to all**

All employees should have a right to request flexible working. Since April 2007, people who care for a partner, relative or someone who

lives at the same address as them have been entitled to request flexible working arrangements from their employer. In employment law, flexible working is defined as a change of hours, a change in the time at which you work, and the right to work from home (BERR 2007). This right is limited to one request per year, and resulting flexible arrangements require a permanent change in contract.

Currently eligibility for the right to request flexible working inadequately captures the spectrum of caring across the life course. By providing the right just to those who already care, flexible working is seen only as a concession for those currently caring. As a result, combining work and care is only an option for some.

A fairer distribution of caring responsibilities requires that family-friendly employment is not just an option for those who downshift in pay and status. Yet, as policy still thinks of ‘carers’ and ‘workers’ in discrete categories, workplace cultures remain dominated by a model of the ‘ideal worker’, free of family responsibilities – while other people, whether women or carers, remain exceptionally and exclusively responsible for meeting care needs. This means that current workplace rights do not support or expect all people – not just women or the ‘carers’ – to balance employment with caring responsibilities.

By expecting and supporting caring responsibilities in the workplace, policy can create a framework for making care visible and valued in society. However, by focusing only on those who are currently caring, employment legislation does not clearly recognise care as a contribution, or as a normal part of life. By granting rights only to specifically defined groups of ‘parents’ and ‘carers’, it reinforces a culture that believes that combining care with employment is an exceptional, rather than mainstream, activity.

Extending the right to request would open up opportunities for some who are currently caring to do some work, and opportunities for some who are currently working to take on some caring responsibilities. A pattern of caring and employment that is fair and sustainable requires both.

Existing qualifying criteria also create unnecessary administrative burden and costs for employers and employees. This over-complex system results in take-up of the right to request remaining low, concentrated in certain sectors and among certain groups. This is why, despite the right to request, there has been slow change on the patterns of caring responsibilities, and carers have been excluded from the labour market. Within the labour market, too, norms about flexible working for all are critically important if those who need them are not disadvantaged in terms of earnings potential and career progression.

Flexible employment should not come with an employment penalty – and therefore should not be available only to those willing to downshift in pay and status. Extending the right to request would mean that by taking up the right, those carers or parents of young children are not disadvantaged relative to their colleagues.

11. Drawing on the 2001 Census (Office for National Statistics 2001) and the Labour Force Survey (Office for National Statistics 2006), we estimate there are 65,912 people providing unpaid care, working part time and earning less than £100 a week – the level for the full tax credit entitlement – but the likely number that could benefit from some level of tax credit is uncertain, dependent on household type, earnings and expected take-up among carers.

Simplicity and transparency over eligibility would also prevent resentment in the workplace. Extending the right to request would still leave employers with the discretion to refuse requests, but would ensure that each individual case was considered in its own right. It would be expected that those with a responsibility to care for a child or an adult would be prioritised in requests. However, a universal entitlement would ensure that certain groups were not receiving unfair concessions, and would establish a universal norm that people have caring as well as employment responsibilities.

The present rules on flexible working are not responsive to those moving in and out of caring roles across the life course. The right, which requires a permanent change in contract and is currently limited to one request per year, does not accommodate the changing or specific circumstances of carers. While people can often predict a return to work after having a baby, people do not know when, for example, their older mother may have a stroke and suddenly need more care. These restrictions on the current request should also be removed.

A right to request flexible working does not involve expenditure for the state or employers other than administrative costs. Removing complex criteria for qualifying for the right to request would reduce administrative costs for employers and the state alike. Under an extension of the right, we would expect the number of refusals to rise alongside the number of requests for flexible working. However, a large number of people, and from a wider group, would still be able to benefit.

Crucially, establishing a right to request for all would reduce the relative employment penalties for those who do undertake more caring responsibilities. Further, as flexible working would enable many people with caring responsibilities to access or remain in paid employment – often skilled older people and women – this is likely to benefit the economy as a whole.

**Proposal 4: Extend rights to care leave**

Table 3.1 details two types of leave that apply to carers of adults: unpaid emergency leave, which is a statutory requirement, and paid care leave, which is a scheme that some employers have developed.

There is currently a right to a ‘reasonable’ amount of leave from work in ‘unforeseeable’ emergency situations involving ‘dependents’. Whether this leave is paid is currently at the discretion of employers. For carers, who are already concentrated in low-paid and insecure jobs, this is ineffective in enabling people caring to access or remain in employment. It also creates unfair inconsistencies between those whose employers pay leave for caring emergencies, and those whose employers do not.

Paying this leave would make combining care and employment a more realistic option for those with changeable caring responsibilities, or those for whom the financial costs of caring would be too high. Therefore, there should be a statutory requirement for employers to pay this leave – at the minimum wage, if not actual salary level. Supporting the flexible working policy, this scheme could operate with the same flexibility to accommodate the unpredictable and emergency caring needs. Ideally, the definition of ‘dependents’ would remain open.

Paying emergency leave for all forms of caring responsibilities would mean that people would not be disadvantaged if their employers did not pay care leave, and would not further disadvantage those on low incomes who could not afford to take leave.

Even flexible working arrangements and emergency leave may not fit around the specific pressures of caring, particularly where care needs are unpredictable and formal services unreliable. In recognition of this, the Government should see consolidating this emergency leave as a step towards establishing a statutory requirement for employers to offer paid care leave. This would be an entitlement to five days planned care leave for those that require it. Employers could be required to pay this at minimum wage level, above which employers could offer it paid at the rate of their salary. This would extend and build on the good practice of some employers, which offer paid care leave to adult carers for between five and ten days a year.

Evidence from two large companies found that leave entitlements were not abused because leave enhanced the commitment of people to their job and employers, and the costs of entitlements to leave were offset by improved retention rates (Yeandle *et al* 2007). The entitlements also bring practices into the open, reducing sick leave and improving productivity. An entitlement to paid leave for caring requirements beyond emergencies would recognise the value of caring, and would set expectations of caring as a normal part of life. Ultimately, care leave will be required to support the growing number of people combining caring for adults with employment. This will help achieve a sustainable and fair pattern of both employment and of caring.

The costs and benefits of these proposals should be considered in context of the costs of social care services and the opportunity costs of caring outlined in Section 2. What we do not spend in support of carers, we may pay in meeting our long-term care costs without sufficient numbers of carers, and in economic inactivity and inequality.

Policy	Situations	Terms
Emergency ‘dependents’ leave	Unforeseeable emergencies involving dependents, to cover when arrangements break down or an unexpected incident.	Statutory requirement – a ‘reasonable’ amount of leave, at discretion of employers. Paid or unpaid, at the discretion of employers.
Care leave	Attending public service appointments with the cared-for person, assisting the cared-for person with an accommodation move, and so on.	Employers’ scheme – paid for five days a year. At line manager’s discretion but requests not normally refused.

Existing policy	Proposed policy
<p><b>Carer's Allowance</b></p> <ul style="list-style-type: none"> <li>• Available to those caring more than 35 hours a week to someone in receipt of DLA at the medium- or higher-care component rate</li> <li>• A basic benefit – £48 a week plus extra for other dependents</li> <li>• Earnings limit – £87 a week (rising to £95 from April 2008)</li> <li>• Non-contributory</li> <li>• Employment support restrictions</li> <li>• Voluntary Work-Focused Interview.</li> </ul>	<p><b>1. Single income-replacement benefit</b></p> <ul style="list-style-type: none"> <li>• Available to anyone not in paid employment</li> <li>• A flat-rate benefit</li> <li>• Ability to top up income through work</li> <li>• Conditions for receipt of benefit on what the claimant must do (work-related activities) and what can do (education, training), personalised to individual circumstance</li> </ul> <p><i>Optional features:</i></p> <ul style="list-style-type: none"> <li>• Universal period, then means-tested rather than earnings limit</li> <li>• Non-contributory/individual entitlement.</li> </ul>
<p><b>Working tax credit – at part time for parents</b></p> <ul style="list-style-type: none"> <li>• Carers in work can claim WTC if they, or their partner, is in paid work for at least 30 hours a week and are on a low-income.</li> <li>• WTC is also available to people who work for at least 16 hours a week but also care for a child (under six or under 18 if that child is disabled) or who are entitled to a disability or 50-plus element of WTC.</li> </ul>	<p><b>2. Working tax credit – at part time for all those caring</b></p> <ul style="list-style-type: none"> <li>• WTC should be available to those working for at least 16 hours a week who are also caring – whether they care for a child or an adult.</li> <li>• Caring for an adult could be assessed by whether the person they care for receives DLA or AA.</li> </ul>
<p><b>Flexible working for current parents and carers</b></p> <ul style="list-style-type: none"> <li>• Right to request flexible working if you are a parent of child under 7, a disabled child under 18 or are caring for a relative or someone who lives at the same address as you.</li> <li>• A maximum of one request per year</li> <li>• Requires a permanent change in contract.</li> </ul>	<p><b>3. Flexible working for all</b></p> <ul style="list-style-type: none"> <li>• All employees have the right to request flexible working</li> <li>• Requests not limited to one per year</li> <li>• Does not require a permanent change in contract.</li> </ul>
<p><b>Discretionary 'dependents' leave</b></p> <ul style="list-style-type: none"> <li>• A 'reasonable' amount of emergency leave for 'unforeseen reasons' (BERR 2007). Unpaid, but employers may pay at their discretion.</li> <li>• 'Dependents' include a child, partner, relative or someone who lives in the same household as you</li> </ul>	<p><b>4. Paid care leave</b></p> <ul style="list-style-type: none"> <li>• A statutory requirement for a 'reasonable' amount of emergency leave in caring to be paid at minimum wage level, with an expectation that employers pay at wage level.</li> <li>• Move towards five days' paid care leave a year for non-emergency caring responsibilities.</li> <li>• Could have an open definition of caring 'dependents', or be based on those caring for someone in receipt of DLA or AA.</li> </ul>

## 4. Conclusion

Integrating an appreciation of caring into our practices of employment and welfare right through the life course would embed recognition of the value of care, and mitigate the costs of care. The principle is already accepted: there is a role for government in enabling opportunities for individuals over care and employment. That principle now needs to be coherently applied to caring across the life course – and throughout our employment and welfare policy. Recognising care clearly and coherently in work and welfare policy is one way in which the state can promote the value and visibility of care across society.

Care runs through life and many policy problems. Care exemplifies how families, markets and the state work together to meet individuals' welfare needs and enable them to access opportunities. Thinking about how we give and receive care across the life course shows the limits to thinking in terms of groups in receipt of welfare, and solely in terms of the state as promoting our welfare.

Unpaid caring, like paid work and our welfare system, plays an important part in enabling individuals to flourish and society to function. Families, employers and communities, as well as the state and public services, create the net well-being that individuals experience – the overall 'welfare regime' (Esping-Anderson 2007). On no issue is this truer than in the case of care. The unpaid care

done in families is an essential and valuable part of meeting our needs, literally from cradle to grave. Employers, the state and families have a shared responsibility to meet needs for care, as well as needs for security and for employment.

There have been many moves towards 'family-friendly' policies, but family does not end when children grow up. Families' ability to care should be supported through a consistent family policy recognising the value of all forms of care, and addressing the potential costs of care.

Policy that considers care across the life course, as proposed by this report, would not extend the welfare state, but would reshape it. The welfare state developed in recognition and support of our economic interdependence across the life course. Now, it needs to evolve so that it can also appreciate and facilitate our interdependence over the giving and receiving of care across the life course. A new welfare society would be clear that caring is a valuable contribution, and a question of fair, sustainable distribution.

To recognise both the value and the costs of care throughout life we cannot simply add new frontiers to an old welfare state. We need a new welfare society with a clear, coherent approach to care at its core.

# Annex: The cost of unpaid care

## Annex A: Projections of long-term care costs

The Organisation for Economic Co-operation and Development (OECD), in its 2006 publication *Long Term Care for Older People*, includes a number of scenarios for future public expenditure on long-term care, some of which are contained in the main text. Other projections reflect different assumptions about demographic change, rising costs and the changing incidence of disability, which are detailed in Figure A.1.

### Demographic change

Looking at ‘demographic effects’ constitutes the baseline analysis of long-term care (LTC) expenditure based on changing ‘dependency’ needs in the population as a result of demographic change. As more people live for longer, more care will be needed. Spending on long-term care is heavily concentrated among older people (Wittenburg *et al* 2002), and so as the share of older people in the population rises, so will our care costs. The effect is mitigated somewhat by the likelihood that the share of dependents per older age group will fall as longevity increases, due to more people ageing healthily.

### Rising costs

In addition to the rising demand for care, in the future the relative cost of formal care is predicted to rise in relation to other services and goods. Caring is very labour intensive, and the quality of care depends on that labour and the time for which it is provided. The room for productivity gains in care are small because the labour of care is not just an input – it is also the effective output (Himmelweit 2005). As productivity and quality of care are in tension, the cost of care services will rise relative to prices in the rest of the economy. In economics, this is known as the ‘Baumol effect’, which is the intrinsic tendency for the relative cost of care to rise in relation to other goods and services (Baumol 1967).

If costs do not reduce the number of people wanting care (a price-inelastic demand), the overall spending on care per unit will rise. To the extent that care is a necessity, we would expect the price elasticity to be very low. However, a demand for higher quality care costs could develop. If it is absolute, not relative, income that affects this demand, as people earn more, the cost of formal care services may rise even further.

Under the cost-pressure scenario, it is assumed that LTC costs per person in need of care increase in line with overall labour productivity. The steady increase in relative prices would mean expenditure on LTC would reach 3.3 per cent of GDP by 2050. The cost-containment scenario assumes that policies contain the cost pressures associated with care. This would be through containing pressures on wages of formal care, and through maintaining high levels of informal care. Even assuming this, LTC costs would still more than double between 2005 and 2050.

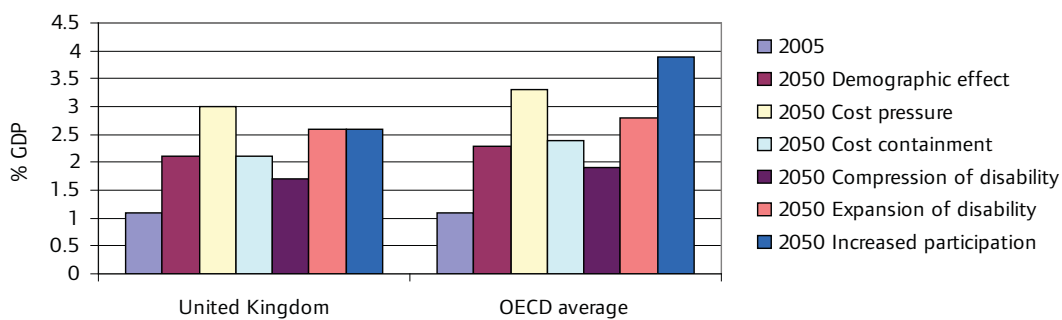
### Changing incidence of disability

The base case demographic effect assumes that disability rates remain constant. However, future levels of disability among older people are uncertain. The compression of disability scenario assumes that age-specific disability rates fall in line with increases in life expectancy. The expansion of disability scenario assumes that disability rates fall at half the rate by which life expectancy increases per year.

### Increased participation

The OECD’s ‘increased participation’ scenario uses a rise in the paid labour force participation rates of people aged 50 to 64 as a proxy for a decline in unpaid caring. This projection assumes a labour market participation rate of 70 per cent by 2050 for men and women aged over 50 across all countries, and that this would significantly reduce the availability of people to provide unpaid care.

Figure A.1: Projected scenarios for public long-term care expenditure



## Annex B: Opportunity costs of unpaid care

Projections of long-term care (LTC) expenditure and debates on the cost-effectiveness of different modes of providing care have traditionally been confined to the costs of care provided formally – in other words, under some form of contract (including home care provided by care assistants and care provided in institutions, such as nursing homes). In contrast, projections of the costs of unpaid care are less common. Although a flourishing industry of micro-analytical studies is drawing increasing attention to these costs (for example, Berg *et al* 2006), the existing literature is generally thin, and is often outdated (see Pickard 2004 for a good survey). And yet the bulk of LTC in most developed countries is provided by informal carers (OECD 2005, Lamura 2003, Sundström *et al* 2002, Zukewich 2003).

ippr's study aims to help fill this gap by:

- Producing estimates of the current costs of unpaid care in England at a macro level (based on Census data)
- Developing and integrating future projections of these costs with projections of formal LTC expenditure in order to compute an all-inclusive aggregate measure of LTC costs
- Discussing the appropriateness of the current balance between formal and informal care in the light of these results.

The standard economic approach to measuring the costs of unpaid care involves identifying the opportunities forgone as a result of caring (in other words, the opportunity costs of unpaid care). In theory, the opportunity cost of unpaid care is (Berg *et al* 2006):

$$n_i w_i + h_i s_i + l_i t_i^*$$

$n_i$ :  $i$ 's hours of forgone paid work

$w_i$ :  $i$ 's net market wage rate

$h_i$ :  $i$ 's hours of forgone unpaid work

$s_i$ : shadow price of unpaid work

$l_i$ :  $i$ 's hours of forgone leisure

$t_i$ : shadow price of leisure.

\* where ' $i$ ' is the individual

In practice, though, there are no reliable estimates of the shadow prices of forgone unpaid work and forgone leisure that can be readily applied at a macro level. With that caveat in mind, we decided to focus exclusively on the cost of forgone paid work. By doing so, we are underestimating the true opportunity costs of unpaid care, in so far as we are not allowing for the impact of care on leisure, unpaid work and carers' health status.

An important distinction needs to be made between care-givers who would otherwise be employed (for whom caring does impose

an effective opportunity cost in the form of foregone earnings<sup>12</sup>); and care-givers who are outside employment for reasons other than their caring responsibilities (for whom those opportunity costs do not exist). Establishing causality between care and employment, as implied by this segmentation, is not without problems, though. It is too simplistic to assume that all the forgone earnings of people who both provide care and have reduced or no employment are due to their caring responsibilities. Indeed, there is a large body of literature suggesting that the relationship between employment and caring is endogenous – it is not only the case that people might not participate in the labour force because they are carers, but also that people may become carers because they are not participating in the labour force (Pickard 1999).

However, recent research (Heitmueller and Michaud 2006) has suggested a causal link from unpaid care to employment for some intense forms of care. Building on this research, we confined our analysis to the opportunity costs of intense caring (provided for 20 hours a week or more) with a view to increasing the likelihood that deviations from full-time employment (namely working on a part-time basis or being economically inactive at an active age) are causally explained by caring responsibilities<sup>13</sup>.

Having assumed a causal link between intense forms of care and employment status, it is reasonable to presuppose the opportunity cost of forgone paid work depends, on average, on the age, sex, and education of the care-giver, and is captured by the difference between the care-giver's earnings and those of people with similar such characteristics who are currently in full-time employment.

We have used cross-tabulations of age, sex, highest level of qualification, economic activity and unpaid care (data commissioned from the Census 2001, Table C0383, Office for National Statistics 2001) to identify sub-groups of carers ('economically inactive looking after home/family', 'working part time', 'inactive other' and 'retired'), below the standard retirement age (which is 65 for men and 60 for women), providing more than 20 hours of unpaid care.

Since one of these sub-group of carers ('economically inactive looking after home/family') explicitly states care as the reason for their being out of the labour market, we present a separate estimate of the opportunity costs of care that also takes into account carers in this sub-group who provide between one and 20 hours of care a week.

We have used earnings (and the difference between full-time and part-time earnings, in the case of care-givers who are part-time workers) of people with similar characteristics in full-time employment as a proxy of the income foregone by the sub-groups of carers mentioned above (based on the *Gross Weekly Pay in Main Job* from the Labour Force Survey (LFS)<sup>14</sup>, from the Office for National Statistics).

Market replacement costs are presented alongside the opportunity costs thus measured. The former reflect the costs of replacing

12. Note that care will still impose opportunity costs in the form of reduced leisure, reduced unpaid work and/or negative health effects for the care-giver.

13. Our analysis of Census 2001 data for England suggested that, among working-age carers providing care for 20 hours a week or more, less than 46 per cent were in paid employment. Among working-age carers providing care for 50 hours a week or more, fewer than 39 per cent were in paid employment. Among women, only 34 per cent of those of working age providing care for 50 hours a week or more were in paid employment.

14. Eight quarters of LFS data were appended together for the period 2005 Q1 to 2006 Q4.

unpaid care by formal services (a close substitute), and can be used both as a benchmark for the cost-effectiveness of unpaid care as well as a proxy of its value.

There is a considerable body of literature on the substitution of formal for informal care (Long 1995, Tennstedt *et al* 1996 and Davies *et al* 1998), which suggests that, although substitution of formal for informal care does indeed occur, formal care does not replace informal care on an hour-for-hour basis. Hours of informal care and hours of formal services are not time-equivalent. Unfortunately, to our knowledge, estimates of the magnitude of the relationship between the two (for England) do not exist.

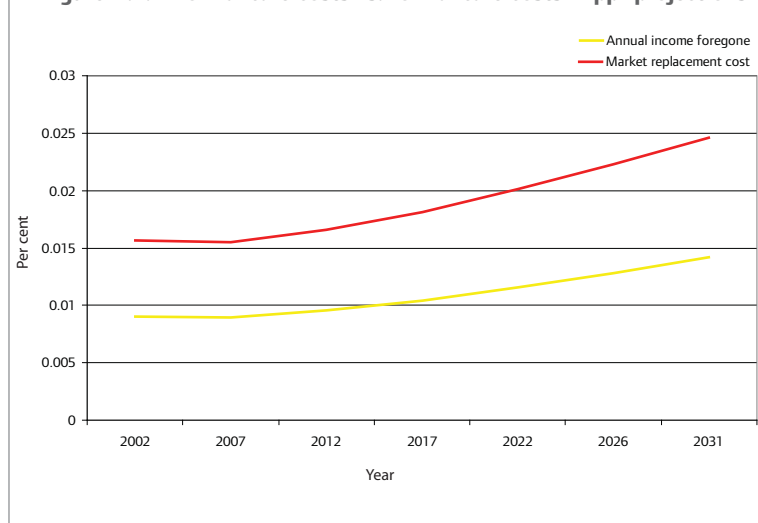
To circumvent this problem, we have estimated market-replacement costs assuming that unpaid care is replaced by 35 hours of home care (the midpoint, when unpaid care varies between 20 and 49 hours) and residential/nursing/intensive home care (when more than 50 hours of unpaid care is provided).

The unit costs of home care and residential/nursing/intensive home care underlying the market-replacement cost estimates were extracted from CSCI (2006) and include the average gross hourly cost for home help/care (adults) (A0/B17), a weighted average of the average gross weekly expenditure per person on supporting adults and older people in residential and nursing care and providing intensive home care (A0/B12), and the average gross weekly expenditure per looked-after child in foster care or in children's homes (CF/B8). The weighting scheme of the latter average reflects the composition of the care recipients that make up our sample (19 per cent children and 81 per cent adults<sup>15</sup>).

The full results, including women aged 60-64 are shown in Table A.1. This reflects the rising retirement age of women.

We also projected growth rates of the annual income foregone and

Figure A.2: Informal care costs vs. formal care costs – ippr projections



market replacement cost of unpaid care, using weighted averages of PSSRU's projections of the growth rates of numbers of disabled older people receiving informal care from a spouse/partner (in households) and numbers of disabled older people receiving informal care from an adult (grown-up) child (in households). Variable weights were used to reflect the growth differentials in the demand for informal care by spouses and the demand for informal care by adult children.

The initial weighting scheme (34 per cent spouses, 66 per cent adult children) reflects Pickard's (2007) estimates of the structure of people aged between 19 and 64 providing care for 20 hours week or more: 34 per cent provide it to a spouse, 19 per cent to a child, 40 per cent to a parent or parent-in-law, and 7 per cent to other people.

Figure A.2 shows this projection.

Table A.1: Opportunity costs of informal care and formal care replacement costs

	£ Billion (2006 prices)		
	Annual income foregone	Market replacement cost	Income foregone as % of market replacement cost
Inactive below retirement age, looking after home/family ( $\geq 20$ hours of unpaid care)	5.47	8.73	63%
Retired below retirement age ( $\geq 20$ hours of unpaid care)	1.85	2.80	66%
Other inactive below retirement age ( $\geq 20$ hours of unpaid care)	0.80	1.21	66%
Working part-time ( $\geq 20$ hours of unpaid care)	1.85	4.69	39%
Total	9.96	17.44	57%
Inactive below retirement age, looking after home/family ( $\geq 1$ hours of unpaid care)	9.46	10.38	91%

Source: OECD 2006

15. Pickard (2007), using the 2000/01 General Household Survey, showed that of people aged between 19 and 64 providing care for 20 hours week or more, 34 per cent provide it to a spouse, 19 per cent to a child, 40 per cent to a parent or parent-in-law and 7 per cent to other people.

### Annex C: Costing the replacement of Carer's Allowance with a single income-replacement benefit

This annex shows our calculations of the cost of replacing the current main benefit for carers in the UK, Carer's Allowance, with a 'single income-replacement benefit' along the lines proposed by Sainsbury and Stanley (2007) in Bennett and Cooke (eds) (2007) and as outlined in section 3 of the main paper.

Stanley and Sainsbury (2007) estimate the cost of a single income-replacement benefit replacing Income Support, Job Seeker's Allowance and Employment and Support Allowance (Incapacity Benefit) but not replacing Carer's Allowance to be an increase of expenditure between 0.2 and 3.2 per cent, or between £35 million and £633 million. This is assuming the rate was set at £60 a week and take-up and flow on and off benefits do not change.

Assuming, additionally, that people currently entitled to Carer's Allowance become part of the single income-replacement benefit, we estimate the additional cost to be £84 million. This is a 7.2 per cent increase on the current expenditure of £1.17 billion on Carer's Allowance.

#### There are three elements to the calculation:

1. The introduction of the single working-age benefit (SWAB) creates an additional cost because we assume that the new benefit will be paid at a rate of £60 per week, whereas the existing rate of Carer's Allowance is £48.35 per week. The extra cost of the single working age benefit is equal to:

$$\begin{aligned}
 & 464,000 \text{ [number of Carers Allowance recipients]} \\
 \times & \quad £11.35 \text{ [difference between SWAB payment and Carer's} \\
 & \quad \text{Allowance payment]} \\
 \times & \quad (365/7) \text{ [conversion from weekly to annual amount]} \\
 = & \quad \text{£275 million (to the nearest £5 million.)}
 \end{aligned}$$

2. The introduction of the single working-age benefit creates additional savings because the means test for the new benefit would be similar to Income Support, whereas Carer's Allowance has an earnings limit of £87 per week for eligibility. This means that there are some CA recipients who will not be entitled to the single working-age benefit because the means test for CA is looser than for the new benefit. The Department for Work and Pensions (DWP) has calculated that the savings from introducing an income means-test for CA would be around £260 million and we use that figure here.

We estimate the overall cost of the single working-age benefit, if it were set at £60 a week, excluding any 12-week universal period, is £275-£260 = £15 million.

3. The proposed benefit would have a 12-week universal period for people who come onto the benefit for the first time (that is, not people who are existing CA recipients). In the quarter up to the end of February 2005, the DWP estimates that there were 23,840 commencements of CA in payment. So we can estimate that in a year, there are 95,360 new claimants of CA. If we use this as an estimate of the new take-up of carers on the single-working age benefit, we can calculate the additional cost of a 12-week universal period as follows:

$$\begin{aligned}
 & 95,360 \text{ [number of new CA claimant each year]} \\
 \times & \quad 12 \text{ [12-week universal period]} \\
 \times & \quad £60 \text{ [SWAB rate]} \\
 = & \quad \text{£69 million (to the nearest million)}
 \end{aligned}$$

The estimated overall cost of a single income-replacement benefit, were it paid at a rate of £60 a week, universal for a 12-week period, then means-tested, is: £84 million.

#### Related benefits

In addition to CA, the single income-replacement benefit would also replace Income Support. Carers in receipt of CA are eligible for a carer premium on a means-tested basis. In May 2007, 221,700 people were claiming Income Support with a carer premium and the average weekly amount was £89.42. So we can estimate that expenditure on Income Support for people in receipt of CA was £1 billion (to the nearest million).

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