

# Care credits in the British pension system: how do they work and are they enough?

Athina Vlachantoni

Centre for Research on Ageing, University of Southampton  
Social Policy Association 2009 Conference, Edinburgh

## Aim and questions

- To compare the role of care credits in earnings-related versus flat-rate pension systems
- Questions
  - How has the pension entitlement structure for carers changed between 1978 and 2007?
  - Among those carers who made use of care credits, what proportion managed to secure the Basic State Pension?
  - Among those carers who did not make use of care credits, what was the level and constitution of their pension income?

2

## What are care credits?

- Credits in the form of time (months/years) added to the carer's pension contributions
- A form of compensation and a vehicle of greater gender equality so long as caring remains a predominantly female activity (though not towards latter part of lifecourse)
- In most European pension systems care credits can be added only to the state pension
- In most European pension systems care credits can only contribute towards the record of carers of children

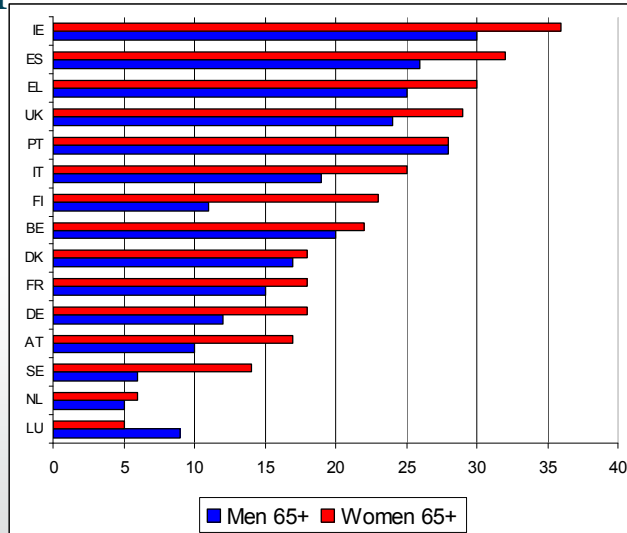
3

## Why study care credits?

- More women than men face a poverty risk in old age
- Care credits can contribute to the BSP (and from 2010 to the S2P), which are an important part of women's pension entitlement (earnings-related V. flat-rate)
- More women than men provide care (but the gap narrows in latter part of the lifecourse)

4

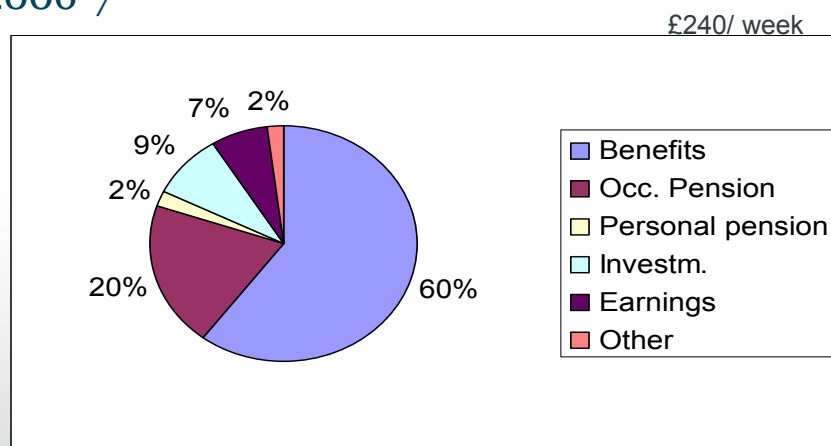
Figure 1: Proportion of 65+ at risk of poverty by gender



Source: Eurostat/EU-SILC, 2007 data

5

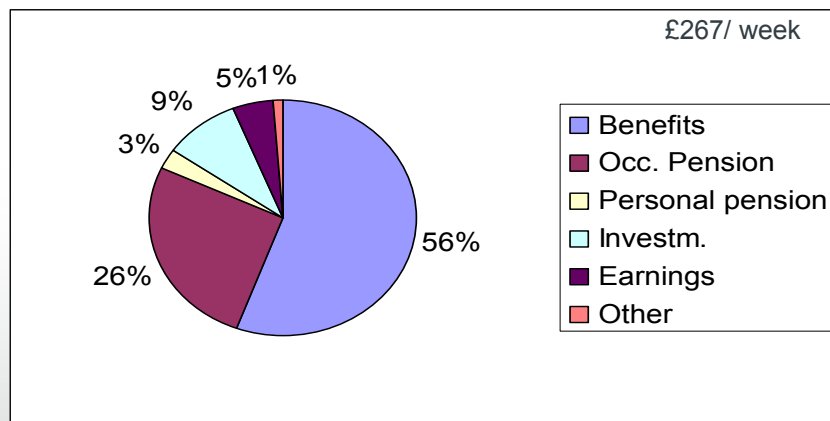
Figure 2: Women – Gross weekly income, 2006-7



Source: DWP Pensioners Income Series 2006-7, Table 2.6

6

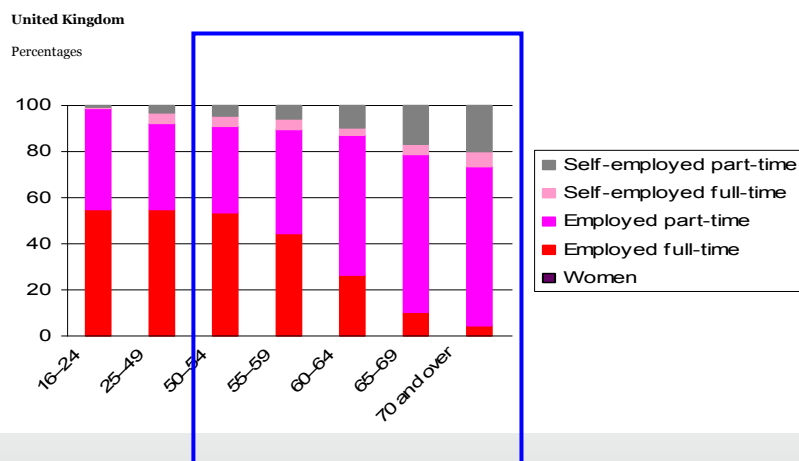
**Figure 3: Men – Gross weekly income, 2006-7**



Source: DWP Pensioners Income Series 2006-7, Table 2.6

7

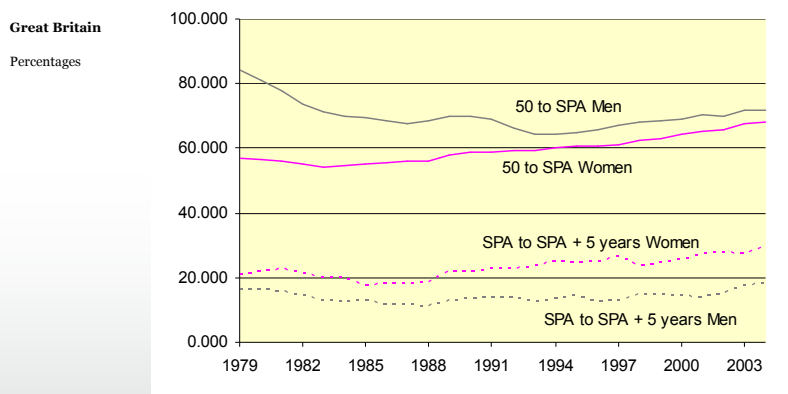
**Figure 4: Women's type of employment by age, 2004**



Source: Focus on Older People, Department for Works and Pensions 2005; Data from: Labour Force Survey, Office for National Statistics

8

**Figure 5:** Employment in older people: by sex and age<sup>1</sup>, 1979 to 2004



<sup>1</sup> State Pension Age (SPA) is 60 for women and 65 for men.

Source: Focus on Older People, Department for Works and Pensions 2005; Data from: Labour Force Survey, Office for National Statistics

**Table 1:** Provision of unpaid care<sup>1</sup> by people aged 50 and over: by age and sex, April 2001

England and Wales	Thousands/Percentages			
	Number providing care (thousands)		Percentage of carers providing 50 or more hours a week	
	Men	Women	Men	Women
50-54	311	446	14	16
55-59	268	365	16	19
60-64	203	262	21	25
65-74	291	334	31	33
75-84	144	137	44	43
85 and over	23	19	54	47
All	1,239	1,563	24	25

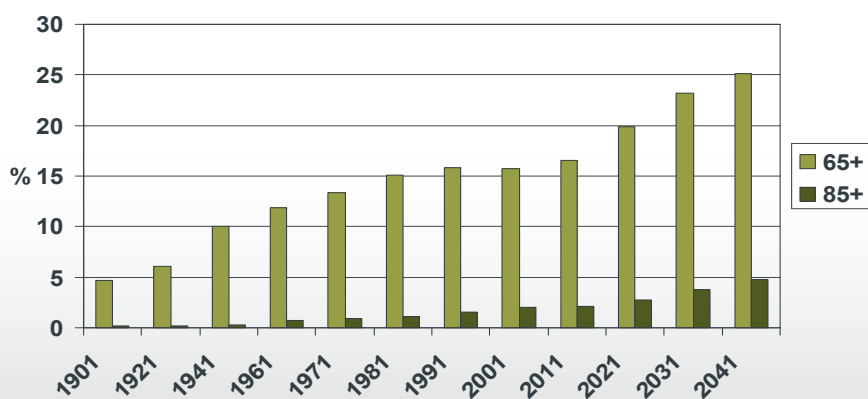
<sup>1</sup> Individuals providing unpaid care to family members, neighbours or relatives.

Source: Focus on Older People, Department for Works and Pensions 2005; Data from: Census 2001, Office for National Statistics

- Care credits are important for women's pension entitlement, but also
  - the policy importance of care credits is set to increase as the demand for eldercare increases due to population ageing
  - older women tend to have fewer disability-free extra years
  - both men and women faced with increasing caring demand

11

Figure 6: Proportion of Britain's population aged 65 plus (%), 1901-2041



Source: ONS Population Trends and Population Projections (selected volumes).

12

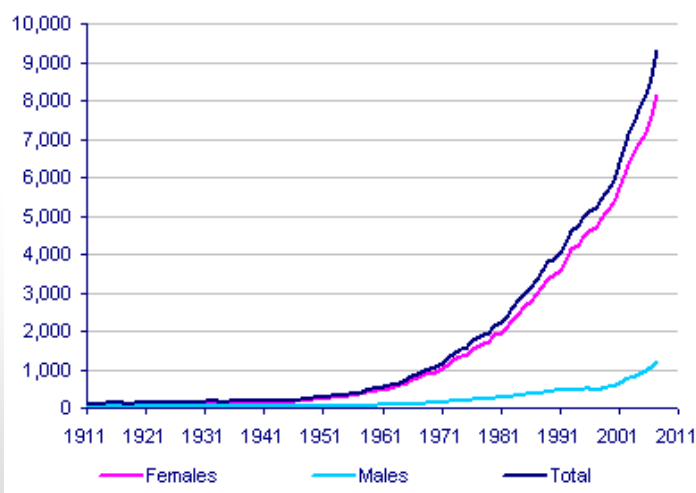
**Table 2: Life expectancy and Disability-free life expectancy, 1998**

Men	TLE	DFLE	DFLE/TLE	Women	TLE	DFLE	DFLE/TLE
65-9	15.4	14.2	92%	65-9	18.8	16.1	86%
70-4	12.1	10.9	91%	70-4	15	12.4	82%
75-9	9.3	8.1	87%	75-9	11.7	9.1	78%
80-4	7	5.6	83%	80-4	8.8	6.4	73%
84+	5.3	4.2	79%	84+	6.6	4.3	65%

Source: Focus on Older People, Department for Works and Pensions 2005; Data from: Bebbington with Comas-Herrera (2000) (Reference 5)

13

**Figure 7: Number of centenarians in England & Wales 1911 - 2007**



14

## Care credits in the British pension system

- Flat-rate Basic State Pension, worth 16% of national average earnings (PPI, 2008)
- Conditional on 39 years of contributions for women, 44 for men (until 2010)
- Home Responsibilities Protection (HRP) introduced in 1978, crediting up to a maximum of 20 years to carers

15

## The 2007 Pensions Act

Providing an “equality of opportunity” to women and men to accumulate state pension entitlement *in addition* to pension entitlement to occupational and other private pension protection (DWP, 2006)

From April 2010 it will:

- reduce the qualifying years to 30 for both women and men
- replace the HRP with a system of weekly care credits available to carers of children (up to 12 yrs old) and of severely disabled persons (minimum 20 hours/ week)
- enhance care credits to the State Second Pension tier

16



## What the government says

Around 30 per cent of women reaching the State Pension Age currently are entitled to the full BSP compared with around 85 per cent of men.

Around 50 per cent of women reaching State Pension Age in 2010 will be entitled to the full BSP without pension reform. Under reform around three-quarters of women reaching State Pension Age in 2010 will be entitled to the full BSP, rising to over 90 per cent in 2025.

Around 120,000 more people could gain entitlement to the BSP through care credits in 2010 (incl. 85,000 women)

Around 180,000 more people could gain entitlement to the State Second Pension in 2010 through care credits (incl. 110,000 women)

DWP (2007) The Gender Impact of Pension Reform

17

## Data and methodology

- Exploratory analysis on women's employment participation patterns since 1978 using the Cross-national Equivalent Files of the German Socio-economic Panel Study
- Policy analysis of changes to pension protection in the two country contexts between 1978 and 2007
- More detailed analysis of country specific longitudinal data on women's employment participation and pension entitlement (BHPS for UK, GSOEP for Germany)

18

## Future work

- What are the likely implications of recent pension reforms for British carers?
- How can the concept of care credits further be expanded in order to cover providers of eldercare?
- Comparison of a different earnings-related and flat-rate pension system

19