

Care Vouchers Proposal

1. Subject

This paper proposes a system of 'care vouchers' to help employees who balance paid employment with care responsibilities. The voucher scheme would create an additional funding stream to enable the purchase of additional care and support services for care recipients who are 'dependent' on working relatives.

2. Recommendation

This paper recommends that a system of tax concessions is established to encourage employers to support their employees with the cost of qualifying care.

The concept has the support of major employers including Lloyds TSB, HSBC, BT, the John Lewis Partnership, Nationwide Building Society, Ford UK, KPMG, HBOS Group, Housing 21, IBM, Tunstall Group and Nestor Healthcare; the Equal Opportunities Commission; the Chartered Institute of Personnel and Development (CIPD); leading charities including Counsel and Care, Carers UK, Help the Aged, Working Families, The Age and Employment Network and the Princess Royal Trust for Carers and employee benefit providers including Accor Services UK, Busy Bees Ltd, Grassroots Group and Sodexo Pass.

Our proposal follows a series of consultation meetings with officials from the Department of Health, Department of Trade and Industry, the Department of Work and Pensions, HM Treasury and HM Revenue and Customs. It also follows a sequence of discussions with representatives of older people's organisations, carers' groups, providers of employee benefits, care providers, private firms and employee representatives, which were held to assess the benefits of this concept and address any potential problems. This consultation process is fully described in section 5.

3. Policy Context

It is well documented that the UK has an ageing society - research published by the Department of Work and Pensions (DWP) predicts that in 30 years, more than 25% of the population will be 65 and over, an increase of around 70% from the current level.ⁱ By 2051, the number of people aged over 85 will have quadrupled to reach four million, 6% of the total population. In the context of falling birth rates, the increasing proportion of older people in society will increase the strain on public finances; the tax base is contracting due to fewer people being active in the workforce; whilst demand for health and social care services is increasing.

As well as a need for greater investment in health and social care funding, it is also clear that efforts must be made to assist those who are able to work to participate in the employment market. A key area of activity must be people who balance employment whilst caring for an older relative.

The 2001 Census revealed that 11% of the population, 5.2 million people, currently care for their family members, friends and neighbours or others. More than a million people provide care for over 50 hours per week. Significantly, three million people combine their caring responsibilities with full or part-time employment.ⁱⁱ Research from the DWP has identified caring responsibilities as a key "push factor" causing people to disengage from the workforce and as a "pull factor" encouraging people to voluntarily leave the workforce.ⁱⁱⁱ Often people who decide to leave the workforce do so after finding the pressure of balancing caring responsibilities with full or part time work to be too much to bear.

3.1 Supporting choice and independence for care recipients

Providing choice for care recipients is consistent with government policy set out in the Department of Health White Paper “Our health, our care, our say”^{iv} and the work of the Social Exclusion Unit on “A Sure Start to Later Life”.^v

It is integral to our proposal that care recipients are able to choose from a range of care and support services in order to find the appropriate services for their needs. The growth of a market in local provision of services is therefore highly desirable.

The shift in focus to a more preventative model of care supported by greater choice and control for care recipients is central to enabling individuals to retain control of their own lives.

The Wanless Social Care Review for the King’s Fund highlighted a clear preference amongst older people to live independently in their own homes for as long as possible.^{vi} Research carried out by the Joseph Rowntree Foundation supports this by demonstrating that low-level preventative assistance such as help with housework, gardening, laundry, and home maintenance and repairs enhances the quality of life for older people, helping to maintain independence and prevent or delay the need for more acute institutional services.^{vii}

4. Care vouchers

4.1 How would a ‘care voucher’ scheme work?

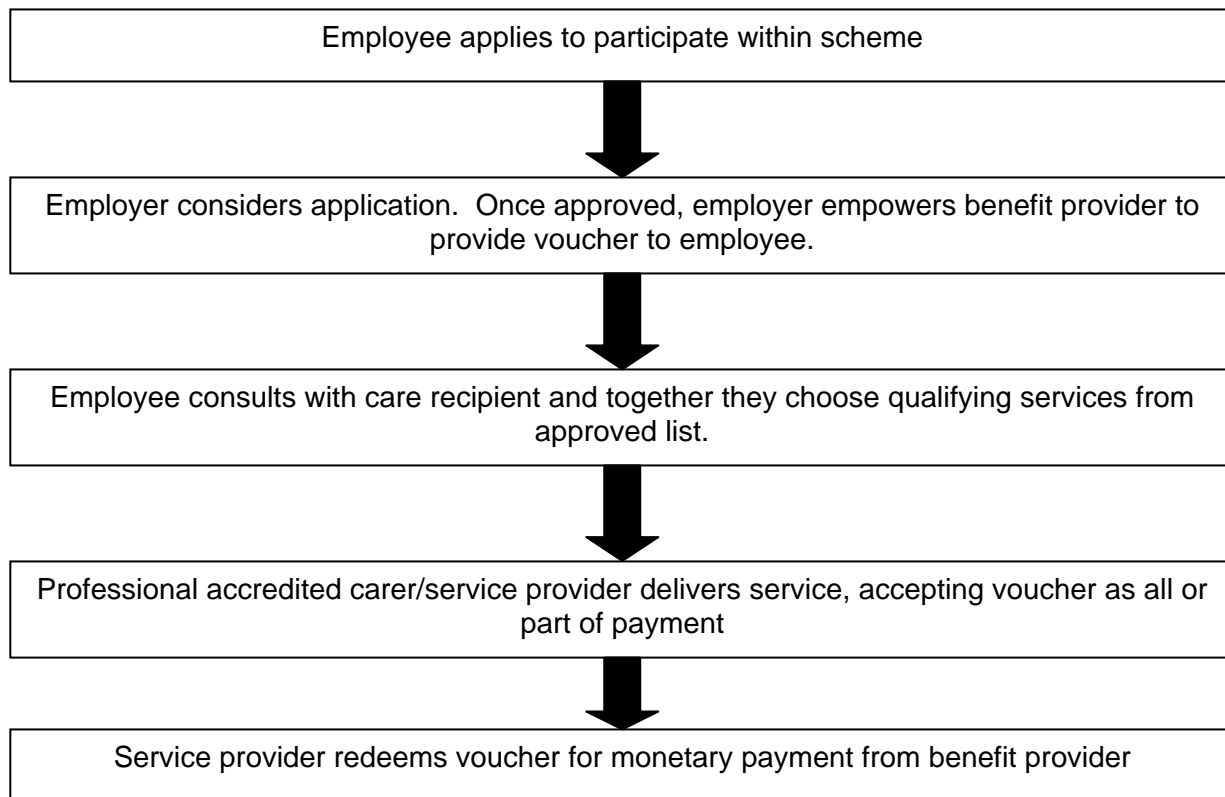
A system similar to the existing scheme of employer supported childcare could provide the framework for employers to support their employees with the costs of relevant and appropriate care and support services, tailored to their individual needs.

Through the scheme, employers would be able to provide a benefit in kind to their employees in the provision of ‘vouchers’ capable of being redeemed only for qualifying care. This benefit would be exempt from both National Insurance contributions (primary and secondary) and PAYE. In addition, the administrative costs incurred by employers in supporting the scheme should be exempt from any PAYE or NI liabilities.

The employee would receive the support from their employer, potentially delivered through a voucher type system. In turn, they could then select the most appropriate level of support required from a range of accredited and pre-approved providers. The system will need to strike a balance between the requirement for flexibility (to meet the diverse needs likely to be in demand) and the desire for control over the type of services that qualify for inclusion.

It is important to note that benefits received by employees through this scheme would be used for services that are not currently wholly provided by the government. Extra funding would be entirely additional to that which is properly funded by government and not a substitute for it.

A flow chart demonstrating the process is as follows:



4.2 Definitions

“Carer” - It is proposed that for the purposes of administering the scheme, qualification should be limited to employees who fall within the definition of ‘carer’, as defined for the right to request flexible working arrangements. Under this definition a ‘carer’ is an employee who is or expects to be caring for an adult who:

- is married to, or the partner or civil partner of the employee; or
- is a near relative of the employee; or
- falls into neither category but lives at the same address as the employee.

(The "near relative" definition includes parents, parent-in-law, adult child, adopted adult child, siblings (including those who are in-laws), uncles, aunts or grandparents and step-relatives.)

“Care responsibility” - Would be defined as “an actual financial contribution to the cost of qualifying care”

“Qualifying Care” - Services that could be utilised, in full or part, by care recipients using funding from a care voucher scheme, should range from informal support to more intensive social care.

These could include:

- Informal support and low level preventative services such as cleaning and home maintenance, befriending schemes and chiropody.

- Domiciliary care services whereby professional care workers visit service users in their own home and help with daily personal care such as getting up, going to bed, dressing, toileting, personal hygiene, some household tasks, shopping, cooking and supervision of medication.
- Telecare Services such as gas detectors, flood detectors, motion sensors and bogus caller alarms.
- Residential care, either full time or as respite.

It is proposed that a three tiered approach is taken to defining the care and support services accessible through the care voucher scheme:

- Registered social care – regulated by Commission for Social Care Inspection / Healthcare Commission
- Other professional services (e.g. chiropody), that require a license to practice.
- Local, low-level services (e.g. That Bit of Help) – this will require a light-touch regulatory regime.

4.3 Light-touch regulation

It is intended that a system of accreditation, registration and approval be incorporated into the scheme as a means of protecting vulnerable care recipients. As with the existing childcare voucher system, service providers who wish to provide care and support services through the scheme would be required to submit references and pass a Criminal Records Bureau check. This system of accreditation and approval could be administered by a third party organisation and would help to provide a guarantee of security for users.

5. Consultation Process

In order to engage constructively with government from the outset on this proposal, bilateral meetings were held with officials from Department of Trade and Industry, Department of Work and Pensions, Department of Health, HM Treasury and HM Customs and Revenue. Meetings were also held to discuss the proposal with various voluntary and campaigning groups including Counsel and Care, Carers UK, the Princess Royal Trust for Carers, Working Families, the Joseph Rowntree Foundation and The King's Fund as well as with private sector companies including BT, HSBC, Nestor Healthcare and the John Lewis Partnership.

Following the bilateral meetings, two working groups were convened to discuss the merits of the proposal and to air and resolve any potential obstacles to its implementation. The working groups were organised around two distinct stakeholder groups – care providers and recipients; and employers and employee representatives. The first meetings of the two working groups were held in January 2006, summaries of proceedings are available on request.

6. Costs & Benefits to Government

An estimation of the costs and benefits for Government can be made by multiplying the projected number of employees who could be reasonably expected to take up the tax exemption by the total amount each individual can claim. Taking the figure from the 2001 Census of three million carers in employment, and making an initial prediction that the benefit would be taken up by 5% of those, we are left with a working model of 150,000 users.

If we take the figure of £50 per week as an example of the level of support provided, we can estimate the approximate total costs to the public purse and the approximate extra funding this would generate. Actual figures will not be available until the scheme has been in operation for a defined period of time.

Additional Funding for Care Services

Using the model of 150,000 users, and using the £50 per week figure, we can calculate there would be up to **£390mn** additional funding for older people's care and support services per annum, based on the following calculation: 150,000 (users) x £50 x 52 (weeks) = £390mn

Cost to Government

For an individual taking a salary sacrifice of £50 per week, the annual saving on tax and NIC is likely to be between £800 to just over £1000 a year depending on the rates paid. For the employers, the saving on NIC would be c. £300. Therefore, if 150,000 employees used this scheme, the approximate cost to the Government would be **£195mn** per annum. This is based on the following calculation:

150,000 (users) x £300 = £45mn
150,000 (users) x £1000 = £150mn

Total = £195mn

Savings for Government

There are potential savings for government through investment in low level services that can prevent or delay the need for more costly institutional care services or hospital care. Research cited in the Wanless Social Care Review suggests that £60 per week spent on low level care services can delay the need for more intensive and costly residential care for an average of 265 days.^{viii}

The Social Exclusion Unit published a breakdown of the economic case for preventative services and activities.^{ix} This highlights that for the over 65 age group accidents in the home such as burns and falls cost the health service around £3bn a year and create greater dependence on local authority services. The report also asserts that reducing the rate of institutionalisation by one per cent a year could save £3.8bn. (*Demand for long-term care: projections of long-term care finance for elderly people, PSSRU (1998)*)

7. Employment issues to be considered

It is probable that many employers will choose to deliver benefits to employees in full or in part, via a salary sacrifice mechanism. Given the likely age profile of the recipients, there are a range of considerations that will need to be considered to ensure the wider protection of statutory rights and state and occupational benefits.

In particular, mechanisms should be considered that enable a full understanding of the longer term impact on state benefits, in particular State Second Pension (S2P). Given the demographic profile of the likely recipients of this benefit, a specific mechanism to protect employees who enter into salary sacrifice arrangements from a detriment to S2P should be developed and put into place.

8. Case studies

Below are two case studies setting out scenarios in which an employee benefit to support older people's care could help to provide additional care and support for older people, and enable employees to better balance their employment with their care responsibilities.

Case Study 1 - Susan & Mary

Susan is 50 years old and works in middle management in a central London-based recruitment agency. She lives with her partner, earns £25000 per annum and is a basic rate tax payer. Her mother Mary, is 75 years old, and lives alone in her own property since the death of her husband three years ago.

Mary enjoys living independently, but since a recent fall and subsequent hip replacement, she increasingly relies on support from her daughter. This includes help with shopping, cleaning and garden maintenance as well as travel to and from medical appointments. Mary wishes to remain in her own home for as long as possible, but accepts that moving into sheltered housing may eventually be necessary.

Mary's needs are not deemed to be sufficiently acute to qualify for assistance from her local authority, due to budget shortfalls and a tightening of eligibility criteria. Although Mary enjoys meeting her friends at her local community centre where she participates in art classes and keep-fit sessions, due to her increasing need for help at home, she has to cut back on social activities to spend money on domestic assistance. Susan is struggling to maintain an effective balance of employment and caring for her mother, and her health is beginning to suffer as a result of the stress.

Susan's employer already offers some assistance to employees with care responsibilities. This includes short term paid leave of up to six days, and a further two weeks leave unpaid. Whilst this does offer some support in emergency situations, Susan and Mary require a more sustainable long term solution.

If Susan's employer offered an employee benefit of support for older people's services, she could choose, on behalf of and in consultation with Mary, from a range of services to meet their specific needs. This could include home and garden maintenance, cleaning and help with shopping. Mary could also specifically benefit from a monthly visit from a mobile chiropodist.

Assistance of this kind would enable Mary to continue to spend her limited resources on activities that enhance and maintain her quality of life, and would allow Susan to feel more confident that her mother's needs were being met and able to be productive at work.

Case Study 2 – Rebecca & Bob

Rebecca is 56 years old and lives with her father Bob, who suffered from a stroke several years ago. Rebecca is unmarried and has no children. She works part time at a local supermarket earning approximately £12000 per year, and relies on friends and neighbours to look after her father when she is working.

Bob qualifies for some domiciliary care assistance from the local authority, which consists of visits from trained carers to help with supervision of medication and daily tasks such as getting up, going to bed, dressing, toileting and personal hygiene. However, Rebecca and Bob do not receive any assistance with household tasks such as shopping, cooking and home maintenance.

If Rebecca's employer operated a scheme to support employees with care responsibilities, she could purchase support from a domiciliary care agency additional to that which is already provided by the local authority as well as help with home maintenance and cleaning. Rebecca could also arrange respite care for Bob if she wished to take a short break.

9. Conclusion

The purpose of these recommendations is to stimulate further discussion with government and other interested parties in order to see how a system of care vouchers might be introduced.

We plan for proposals to be taken forward in detail over the coming months through submissions to ministers, and meetings with civil servants, parliamentarians, voluntary organisations, employee representatives and private sector companies.

10. List of supporters

The campaign for tax exemptions for care vouchers is supported by:

Employers:

BT
Ford UK
HBOS Group
HSBC
IBM
John Lewis Partnership
KPMG
Lloyds TSB
Nationwide Building Society
Nestor Healthcare
Tunstall Group

Organisations:

Chartered Institute of Personnel and Development (CIPD)
Disability Rights Commission
Equal Opportunities Commission
Hertfordshire County Council
Personnel Today Magazine

Charities:

Carers UK
Counsel and Care
Crossroads Association
Help the Aged
The Age and Employment Network
The Princess Royal Trust for Carers
Working Families

Employee benefit providers:

Accor Services
Busy Bees Ltd
Grassroots Group
Sodexo Pass

Also consulted with:

CBI
IPPR
DEMOS
BBC

For more information, please contact:

Marc Woolfson
Campaign co-ordinator

Tel: (0)20 7222 9500

Email: marc@westminsteradvisers.co.uk

ⁱ DWP Research 'Opportunity Now'

http://www.dwp.gov.uk/opportunity_age/section_one.asp

ⁱⁱ 2001 Census – Caring Responsibilities

<http://www.statistics.gov.uk/ci/nugget.asp?id=347>

ⁱⁱⁱ "Factors affecting the labour market participation of older workers: qualitative research"

<http://www.dwp.gov.uk/asd/asd5/rports2005-2006/rrep281.pdf>

^{iv} Department of Health White Paper: "Our Health, our care, our say: a new direction for community services"

<http://www.dh.gov.uk/assetRoot/04/12/74/59/04127459.pdf>

^v Social Exclusion Unit Final Report: "A Sure Start to Later Life: ending inequalities for Older People"

<http://www.socialexclusionunit.gov.uk/downloaddoc.asp?id=797>

^{vi} Wanless Social Care Review, Social Care Needs and Outcomes - A Background Paper (July 2005)

http://www.kingsfund.org.uk/health_topics/wanless_social.html

^{vii} JRF Report 'That Bit of Help'

<http://www.jrf.org.uk/knowledge/findings/socialcare/SCR768.asp>

^{viii} Wanless Social Care Review, Social Care Needs and Outcomes - A Background Paper (July 2005)

http://www.kingsfund.org.uk/health_topics/wanless_social.html

^{ix} Making life better for older people - An economic case for preventative services and activities (January 2006)

<http://www.socialexclusion.gov.uk/downloaddoc.asp?id=810>