

Combining work and family life: the pension penalty of caring

MARIA EVANDROU* and KAREN GLASER*

ABSTRACT

This paper uses work and caring history information from the British Family and Working Lives Survey (1994/5) to examine the provision of family care and its impact upon the employment and the subsequent state and private pension entitlement among mid-life men and women. Combining paid employment with care-giving was not an option for a significant minority of women with caring responsibilities in mid-life. One-in-five mid-life women who have ever had caring responsibilities reported that, upon starting caring, they stopped work altogether, and another one-in-five reported that they worked fewer hours, earned less money or could only work restricted hours. Fewer men and women who stopped work as a result of caring were members of an occupational pension scheme than other groups; and they had accumulated fewer years of contributions than their counterparts who continued working, with direct implications for their level of pension income in later life. The extension of employers' schemes to help workers balance paid work and family responsibilities would facilitate more carers remaining in the labour market, as would an explicit carers' dimension within the new 'Working Tax Credit'. Consideration should also be given to extending credits for second tier pensions to working carers who provide care for over 16 hours a week and who earn below the lower earnings limit. This will ensure that carers who juggle low paid work and care are not penalised for working, and that their unpaid contribution to society is recognised.

KEY WORDS – caring, pensions, work-life balance.

Introduction

There are currently 6.8 million carers in Britain, the majority of whom (80 %) are aged less than 65 years (Office of National Statistics (ONS) 2002). The likelihood of caring for a sick, disabled or elderly person increases with age, rising from eight per cent of 16–29 year olds to a peak of 24 per cent among those in mid-life, aged 45–64 years. Informal caring has been found to be associated with poor financial outcomes (Ginn and Arber 1994; Howard 2001), with one of the central reasons being the negative

* Institute of Gerontology, King's College London, UK.

relationship between long-term caring responsibilities and paid employment (Evandrou and Winter 1992; Evandrou 1996). Individuals with substantial caring responsibilities often face significant barriers that make combining consistent family care with paid employment very difficult, and often result in withdrawal from the labour market altogether (Holzhausen and Pearlman 2000). Amongst carers who continue in paid employment, many switch to more flexible or part-time employment that facilitates their caring responsibilities, with a resultant drop in earnings and work-related benefits (Rake 2000).

It is increasingly recognised that the impact of caring responsibilities upon financial wellbeing may last well beyond the period of caring itself. The report of the United Kingdom National Carers' Strategy, *Caring About Carers*, noted 'a period without pension contributions has ... a long-term effect which lasts throughout retirement' (Department of Health (DoH) 1999: 25). McKay, Heaver and Walker (2000) have demonstrated the paramount importance of employment experience across the lifecourse in building up pension rights. Recent research using computer simulations has highlighted the negative impact on pension outcomes of periods of low pay and interruptions to labour market histories through caring responsibilities (Falkingham and Rake 2001). Thus, carers whose work arrangements are affected by their caring responsibilities may suffer both a 'wage penalty' during working life and a 'pension penalty' in later life. Although increasing attention is now being paid to the limitations of the design of the current pensions and benefit system in relation to women's working lives, little research has explicitly investigated the extent of such pension penalties amongst carers in Britain (Ginn, Street and Arber 2001). One of the main reasons for this has been a lack of data that combine both work histories with information on caring responsibilities.

This paper examines the effects of combining paid work with the provision of family care amongst men and women in mid-life in Britain using work and caring history information from the *Family and Working Lives Survey* (FWLS) of 1994/5 (King and Murray 1996). The research first investigated the impact of caring responsibilities upon work arrangements and the extent to which this varied between men and women. Second, the paper explores the likely impact upon pension prospects (both state and private) for people with family care commitments over their lifecourse, by examining the influence of caring both on the length of working life and on the number of years of pension contributions. Third, the degree to which credits, such as Home Responsibility Protection (HRP), ameliorate the pension penalty faced by carers is examined. Finally, the implications of the empirical findings are discussed and the paper concludes with several policy recommendations.

Data and methods

The FWLS interviewed a nationally representative sample of 9,139 individuals aged 16–69 years in Great Britain in 1994–95. It was carried out on behalf of several government departments, including Education and Employment, Social Security, the Environment and the Home Office. The aim was to collect information about people's family circumstances, labour market participation and pension status over their lifetimes in order to aid policy development. Face-to-face interviews were conducted in respondents' own homes, and information was collected using three separate survey instruments. The main questionnaire gathered data on housing, education, unemployment, pensions, benefits, family decisions, caring, and disability. Second, retrospective life history information was collected by means of an events matrix. The events matrix included partnership and birth history data, dates when children left or rejoined the household, and periods in training and education. Third, work history data were documented in a detailed jobs grid on which respondents entered the start and end dates for each employment episode since they first entered the labour market (including periods of unemployment and time out of the labour market due to family responsibilities or other obligations). The response rate was relatively low (54%) compared to the 1980 *Women and Employment Survey* (Martin and Roberts 1984).¹

Mid-life is defined in this article as the period prior to retirement. The secondary analysis reported here was based on a sub-sample of 1,201 women aged 45–59 years and 1,353 men aged 45–64 years. The carer module in the main FWLS questionnaire asked about the provision of regular care. Our analyses of carer status were based on two questions asked in the survey: 'Do you currently or have you ever regularly looked after someone, for at least three months, who is sick, disabled or elderly?' and 'Do you still currently have these responsibilities for looking after someone?'

The question wording differs in several respects from the question concerning the provision of care in the *General Household Survey* (GHS) (the main source of nationally representative data on family care in Britain). In particular, the FWLS asked about the provision of regular care, and second, the question focused on care which lasted at least three months. This may have encouraged respondents to focus on the 'heavier' end of caring, and may underestimate the total amount of care provided. Thus the proportion of respondents providing care in the FWLS is lower than those found in the GHS.² Unless otherwise indicated, only differences that are statistically significant have been commented on (at $p < 0.05$) in the results section below.

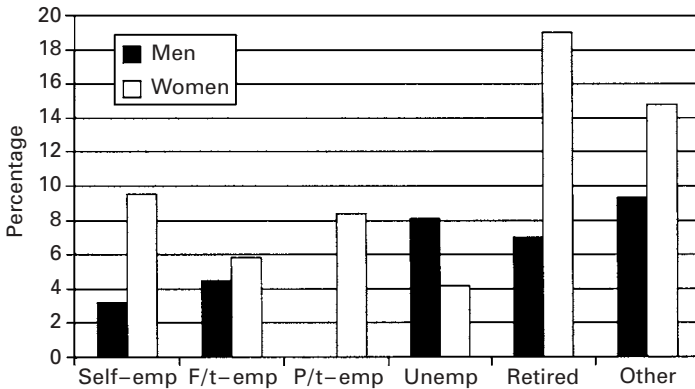


Figure 1. Percentage of men and of women aged 45–59/64 years who were caring by employment status, Great Britain 1994/95.

Source: Authors' analysis of the Family and Working Lives Survey 1994/5.

The impact of caring on work arrangements

The relationship between work and care is complex. Whether or not an individual is in paid work may impact upon their availability to care, and caring responsibilities may in turn influence employment opportunities and choices. Cross-sectional analysis using the FWLS indicates a significant difference in the proportion of mid-lifers who are currently caring between those in paid work and those who are not, with those out of the labour force being significantly more likely to care than those in paid work (Figure 1). Women are significantly more likely to provide care than men, and women who are retired or not economically active are most likely to care. It is not clear, however, whether it is being retired that affords women the opportunity to care, or whether being engaged in caring makes mid-life women more likely to retire from paid work. Longitudinal data is needed in order to disentangle the direction of any causal relationship between caring and paid employment.

The FWLS asked respondents several questions about the impact on their work arrangements of taking on caring responsibilities (Table 1). The majority, 73 per cent of men and 63 per cent of women, reported that caring had 'had no effect' on their work arrangements; but 21 per cent of mid-life women who have ever cared reported that they stopped work altogether, and 11 per cent that they worked fewer hours. Thus, nearly a third of women had reduced their labour market activity as a direct result of caring, compared with under a fifth of men (8% of men stopped work and 9% reduced their hours).

TABLE 1. *Impact of first or current episode of caring on work arrangements amongst all those aged 45–59/64 years who had ever cared, Great Britain 1994/95*

Impact of start of caring on work arrangements	Men	Women	Total
	Percentages		
Stopped work altogether	8	21	16
Worked fewer hours	9	11	10
Did a different type of work	2	2	2
Earned less money from work	6	5	5
Could only work certain times of day	3	6	5
Missed out on career opportunities	3	3	3
Did not affect – continued working	48	37	41
Did not affect – continued not working	25	26	25
(Sample size)	(236)	(380)	(616)

Note: Column percentages may sum to over 100 per cent as respondents can give more than one answer. Sample sizes are based on unweighted data, whereas percentages are calculated using weighted data. Data are weighted to adjust for differential non-response and to restore the principle of equal probability of selection for each individual aged 16–69 years.

Source: Authors' analysis of the Family and Working Lives Survey 1994/5.

The response to caring varies by age. Both men and women were more likely to stop work altogether if they assumed caring responsibilities close to state pension age. Among those who ever provided informal care, 11 per cent of men aged 60–64 years stopped work compared with six per cent of men aged 45–49 years; similarly 28 per cent of women aged 55–59 years stopped work compared with 18 per cent of women aged 45–49 years. Men who took on caring responsibilities in early mid-life (45–49 years) were however more likely to change their work arrangements than others; that is, in terms of working fewer hours, earning less money, doing a different type of job or working only on certain days. Thus it appears that the impact upon working arrangements varies according to the stage of the lifecycle.

Interestingly, any reduction in labour market activity does not appear to be matched by an equivalent increase once caring responsibilities cease. Table 2 reports the impact on employment of the end of the episode of caring among the respondents who had reported that the onset of caring affected their work arrangements. The majority did report a positive impact, either starting work again or increasing their hours of work, but 35 per cent of women and 18 per cent of men reported 'no effect' on their work arrangements. It should be noted, however, that the few observations mean that the percentages are no more than indicative.

The impact of caring on the length of the working life

Analysis of the data investigated variations in the average (mean) number of years of full-time employment that men and women had experienced

TABLE 2. *The impact of ending care episodes on work arrangements among those who reported that the onset of caring had affected their employment, GB 1994/95*

Impact of end of caring on work arrangements	Men	Women	Total
	Percentages		
Started work again	24	27	26
Could work longer hours	50	25	32
Did a different type of work	3	5	4
Earned more money from work	21	6	10
Could work more flexible hours	12	11	11
Had more career opportunities	3	1	2
Did not affect work	18	35	30
(Sample size)	(35)	(84)	(118)

Note: The percentages for men are indicative due to the low cell counts. Columns percentages may sum to over 100 per cent as respondents could give more than one answer.

Source: Authors' analysis of the 1994/95 FWLS.

over their lifecourse at the time of the FWLS interview by age and caring status. As one would expect, the number of years of employment rises with age, for those in the older age groups have had longer to accumulate work experience. There appears to be little difference within age groups between men who have ever undertaken caring responsibilities and those who have not. Once the reported effect of caring on work arrangements is taken into account, however, the impact of care-giving on work is clear. Amongst men who have ever cared, those who reported 'stopping work' had significantly fewer years of full-time work than their counterparts who continued working. Men aged 50–54 years who reported 'stopping work' as a response to caring had 21 years of full-time employment, compared to 29 years for men of the same age group who reported 'continuing working'. This is the case for all the age groups except those aged 55–59 years.

The picture for women is more complex, for they experience substantial periods out of the labour force for child care responsibilities, while women who never marry (and hence are more likely never to have children) are more likely to become carers in mid-life (Parker and Lawton 1994). Analysis of the FWLS data investigated the average years of full-time and part-time employment for women who have had caring responsibilities at some stage during their lifetime, disaggregated by the reported impact of caring on work arrangements.

Among women aged 45–49 years, those who reported 'stopping work' to assume caring responsibilities had significantly fewer years of either part-time (4 years) or full-time employment (12 years) than those who 'continued working' (7 and 15 years respectively). In contrast, 'changing work arrangements' (*i.e.* working fewer hours, changing to a different type

of work, or earning less money) was associated in the same age group with 18 years of full-time work. Similar effects were found in adjacent age groups, for those who adopted changed work arrangements accumulated nine years of part-time work when aged 50–54 years, and 13 years when aged 55–59 years.

The impact of family care upon pension prospects in retirement

When assessing the impact of caring on pension prospects, it is important to distinguish between first tier pensions (*i.e.* the basic state pension), and second tier pensions (*i.e.* private and occupational pensions and the State Earnings Related Pension Scheme (SERPS)). Periods out of the labour market will impact upon the accumulation of entitlements to both, as interruptions in working life reduce the years of contributions. *Changes* in work arrangements are however much less likely to affect first-tier pension entitlements (as entitlement depends on years in work rather than the type of work), and more likely to impact upon second tier pensions. For example, changes in work arrangements that involve a change in job may impact upon occupational pension entitlements; changes in work arrangements that reduce earnings by definition affect earnings-related pensions such as SERPS and the new Stakeholder Pension.

Accumulating rights to the basic state pension

The basic state pension (BSP) is a contributory benefit and entitlement is dependent on satisfying eligibility conditions. The ‘normal working life’ is currently assumed to be 49 years for men and 44 years for women (*i.e.* start at 16 years of age and end at the statutory retirement age). To qualify for a full BSP, a man requires 44 years of national insurance contributions or credits, and a woman 39 years. Contribution Credits are available for years in full-time education, unemployed, disabled or caring for a dependant. To qualify for a Credit, a person must be in receipt of the social security benefit for such an eventuality; that is, Job Seekers’ Allowance, Disability Living Allowance or Invalid Care Allowance.

The number of years necessary for a full BSP can be reduced when a person takes time out of the labour market to care for a child aged less than 16 years (or aged 16–18 years in full-time education) or a disabled adult. Home Responsibility Protection (HRP) is automatic for women who are not working and in receipt of Child Benefit. The eligibility of a carer of an adult for HRP is, however, limited to those individuals who regularly spend at least 35 hours a week looking after a recipient of either the Attendance Allowance or the Disability Living Allowance at the middle or

TABLE 3. *Proportion of people in mid-life making any state pension contribution or protection payment (over the lifetime to date) by carer status and age, GB 1994/95*

Gender and age group	Class 1 contributions	Class 2 contributions	Credits	Home Responsibility Protection	Sample size
Men					
45–49 years					
Currently caring	100	29	48	11	(21)
Ever cared	95	31	28	6	(52)
Never cared	99	23	21	8	(335)
50–54 years					
Currently caring	100	20	50	12	(17)
Ever cared	98	28	38	13	(37)
Never cared	98	23	25	10	(275)
55–59 years					
Currently caring	100	11	24	9	(14)
Ever cared	100	24	34	9	(56)
Never cared	100	21	30	8	(272)
60–64 years					
Currently caring	100	25	64	32	(17)
Ever cared	100	16	70	15	(72)
Never cared	98	15	65	10	(254)
Women					
45–49 years					
Currently caring	90	14	20	67	(30)
Ever cared	84	10	27	63	(93)
Never cared	87	7	10	65	(354)
50–54 years					
Currently caring	86	5	27	46	(39)
Ever cared	88	7	25	48	(111)
Never cared	85	5	13	61	(255)
55–59 years					
Currently caring	94	2	43	38	(47)
Ever cared	87	6	28	43	(150)
Never cared	81	8	15	42	(238)

Note: Ever-cared includes those currently caring.

Source: Authors' own analysis of 1994/95 FWLS.

highest rate for personal care. HRP operates by reducing the number of years needed rather than providing a Credit.

Table 3 presents the proportion of people in mid-life with *any* state pension entitlements accrued through either contributions or credits by age and caring status. The table distinguishes between Class 1 contributions, made by all employees who earn above the lower earning limit,³ and Class 2 contributions, made by the self-employed, Contribution Credits, and HRP. Virtually all men, regardless of age and caring status, have made some Class 1 contributions during their working life. A higher proportion of men who have ever cared have made Class 2 contributions than

men who have never cared, suggesting that self-employment may allow greater flexibility and so facilitate the combination of caring responsibilities with work. Thirty-one per cent of men aged 45–49 years who have ever cared have made Class 2 contributions compared with just 23 per cent of those who have never cared. Additionally, a higher proportion of men who are currently caring or who have ever cared, have at least one year of Contribution Credits. A minority of men have HRP. The picture is less rosy amongst women, with 10–20 per cent of mid-life women having made no Class 1 contributions at all. Older women are also less likely to have any HRP. This is because such protection was only introduced in 1978, after many of this cohort's children would have started school.

There is little evidence of a pensions penalty from caring in Table 3. The experience of caring may however impact upon the *years* of contributions rather than whether any contributions are made. Table 4 shows the average *level* of entitlement to the BSP accumulated by respondents over their working life to the date of the survey. Entitlement is expressed as the proportion of the value of the full BSP. The government compensates some individuals for time out of the labour market. In order to assess the impact of state protection, average entitlements have been calculated both before and after the receipt of Credits and HRP, and the entitlements based purely on the individual's own employment record (*i.e.* Class 1 and 2 contributions) are shown in brackets. The difference between the parenthetical and final entitlement is a measure of the State's contribution to pension income.⁴

The results demonstrate that, on average, men have built up significantly higher entitlements to the BSP than women, and that entitlements increase with age (Table 4). There is no significant difference in BSP entitlements amongst men according to caring status. There is, however, a significant difference in entitlements when respondents are differentiated by the reported impact of caring responsibilities upon employment status. Prior to state intervention, men who stopped work in order to care had accrued significantly lower entitlement to BSP than other men. After receipt of Credits and HRP, however, their state pension entitlement was similar, *e.g.* men aged 45–49 years who reported that they had stopped work on assuming caring responsibilities had accumulated, on average, entitlement to 56 per cent of the full BSP. After taking into account the effect of Credits and HRP, the average entitlement increased to 68 per cent of a full BSP.

As stated above, because women have been much more likely to experience interruptions to their working life through parental responsibilities, their situation is more complex. Among women aged 45–49 years, the average entitlement to BSP was equivalent to just 34 per cent of full

TABLE 4. *Average entitlement to the basic state pension (as a percentage of full pension) accumulated over the lifetime to date amongst men and women in mid life by caring status and age*

Gender, caring status and employment impace	Age groups (years) ¹			
	45-49	50-54	55-59	60-64
Men				
Currently caring	70 (66)	75 (69)	86 (81)	94 (87)
Ever cared	70 (67)	74 (70)	87 (79)	94 (87)
Never cared	68 (65)	77 (74)	86 (82)	92 (86)
All mid-life men	68 (65)	77 (73)	86 (81)	92 (86)
Sample size	(387)	(312)	(328)	(326)
Impact on employment amongst those who care				
Continued work	71 (70)	68 (67)	86 (82)	95 (92)
Changed work	71 (71)	76 (76)	90 (90)	80 (76)
Stopped work	68 (56)	80 (63)	88 (85)	97 (81)
Continued not working	69 (63)	79 (70)	87 (69)	95 (92)
Women				
Currently caring	46 (35)	48 (39)	51 (42)	
Ever cared	43 (32)	49 (41)	49 (41)	
Never cared	42 (34)	41 (34)	43 (37)	
All mid-life women	42 (34)	43 (36)	45 (39)	
Sample size	(477)	(366)	(388)	
Impact on employment amongst those who care				
Continued work	35 (27)	50 (46)	48 (45)	
Changed work	47 (40)	46 (34)	48 (44)	
Stopped work	57 (37)	60 (50)	56 (44)	
Continued not working	41 (28)	47 (37)	46 (31)	

Notes: 1. Figures in brackets calculated before Credits and HRP were taken into account. Sample sizes are based on unweighted data, whereas average years of contributions are calculated using weighted data.

Source: Authors' analysis of the 1994/95 FWLS.

BSP before Credits and HRP. Even after these credits have been taken into account, the average entitlement increased to just 42 per cent. Women who give up work to care appear to have better pension entitlement than mid-life women in general. This reflects the fact that women who have never-married are more likely to care in mid-life than other groups of women (Parker and Lawton 1994). Furthermore, analysis of the FWLS shows that women in this generation who have never married are less likely to have had earlier interruptions to their working lives due to child bearing. Comparing average entitlement to BSP before and after state intervention, the results show that entitlement increases by around 10 per cent. Credits and HRP thereby work to protect women's entitlement to the BSP, but even after state intervention women's entitlement is still only about two-thirds of that of men.

TABLE 5. *Level of entitlement to the Basic State Pension accumulated to date (as a percentage of a full BSP) by reported response to caring amongst mid-life men and women, Great Britain 1994/95*

Entitlement to BSP (% full pension)	Continued working	Changed work arrangements	Stopped work	Continued not working
Men (45–64 years)				
0 (no entitlement)	1			
<25	1	4		
25–50	3	2	5	
50–75	23	38	7	29
Over 75	72	57	88	71
Sample size	(103)	(28)	(16)	(51)
Women (45–59 years)				
0 (no entitlement)	22	14	3	6
<25	18	13	17	26
25–50	10	25	12	29
50–75	27	24	31	24
Over 75	24	24	36	17
Sample size	(127)	(59)	(74)	(79)

Source: Authors' own analysis of the 1994/95 FWLS.

Table 4 documents the average entitlement for different groups of women and men, and these average figures may obscure wide variations among individuals. Table 5 explores the distribution of entitlement to BSP for men and women who have ever provided care by reported impact on work arrangements on taking up caring. This provides an important insight into the relationship between accrued entitlement to the basic state pension and the decision to remain in work. It is important to note that anyone who reaches retirement with accrued rights equivalent to less than 25 per cent of the full BSP will not receive any BSP at all in their own right.

The findings indicate that the vast majority of mid-life male carers have accumulated rights to a BSP of at least 50 per cent of the full pension. A higher proportion of men who reported stopping work on taking up caring responsibilities had entitlement to a BSP worth at least 75 per cent of the full BSP, compared to other groups of men, demonstrating the positive impact of Credits and HRP. As noted earlier, pension entitlements are relatively better amongst women who stopped work than amongst other female carers. Even amongst this group, however, three per cent have accrued no entitlement to a BSP,⁵ and 17 per cent have entitlement equivalent to less than 25 per cent of full BSP. Of concern is the fact that nearly two-fifths of women who continued working after assuming caring responsibilities had accumulated an entitlement to less than 25 per cent of a full BSP, which in effect yields no pension at retirement. This group of

women stand to gain little benefit in terms of future pension income from their continuing economic activity unless they exceed the 25 per cent threshold by the time of their retirement. It is important to note that even women with a full BSP run the risk of experiencing no financial gain in later life from their earlier employment and pension contributions. As the value of the full BSP currently falls below the level of income at which people are eligible for means-tested benefits, those with no other additional income (in their own right or from a spouse) at retirement will automatically fall into means testing.

Accumulating rights to a second tier pension

It is now compulsory in the United Kingdom for all employees to be either a member of the state second tier pension scheme or an approved contracted out scheme. Between 1961 and 1975, the second tier state pension provision was the Graduated Retirement Pension. The *Social Security Act 1975* brought about its replacement by the State Earnings Related Pension Scheme (SERPS), which was introduced and implemented in 1978.⁶ Many of the FWLS respondents had accrued rights under both these schemes. Table 6 presents the proportions of people in mid-life in 1994–95 who had made any second tier pension contribution by their caring status. The analysis distinguishes between contributions to state second tier pensions, *i.e.* the Graduated Pension and SERPS, and non-state second tier pensions, *i.e.* occupational and personal pensions. Virtually all men had made some second tier pension contribution (97%); 70 per cent had accrued rights under either the Graduated Pension or SERPS or both, and 78 per cent had contributed to an occupational or personal pension. The proportions are substantially lower for women, and 15 per cent of women had made no contributions to either a state or private second pension.

Benefits from occupational pension schemes are generally regarded as being more generous than those provided by state schemes. Just over half (51%) of mid-life women had contributed to an occupational or personal pension, compared to three-quarters of men (78%). Caring status ('current', 'ever' and 'never' carers) appears to have had little impact of on the proportion of men and women who report second tier pension contributions, but once carers are differentiated by the reported impact on employment, interesting patterns emerge. Men who stopped working had a significantly low likelihood of having made contributions to an occupational pension. This may reflect the fact that, as discussed above, this group of men were more likely to be manual workers and in jobs without an occupational pension scheme.

Table 6 also shows the average years of contributions to second tier pensions amongst those with such a pension. This gives further insight into

TABLE 6. *Entitlement to second tier pensions, Great Britain 1994/95*

	State second pension ¹	Private second pension ²	Any second pension	Sample size
Men				
Currently caring	76 (10.8) ³	74 (20.1) ³	100	(69)
Ever cared	66 (11.3)	78 (22.4)	96	(217)
Never cared	71 (12.5)	78 (20.7)	97	(1136)
All mid-life men	70 (12.3)	78 (21.0)	97	(1353)
By reported impact on employment amongst those who care				
Continued work	63 (10.0)	83 (23.1)	98	(103)
Changed work	78 (11.4)	81 (17.8)	92	(28)
Stopped work	85 (18.6)	49 (13.4)	100	(16)
Cont. not working	62 (10.1)	78 (23.4)	100	(51)
Women				
Currently caring	65 (8.9)	52 (14.7)	85	(116)
Ever cared	65 (9.0)	53 (14.3)	87	(354)
Never cared	66 (9.0)	51 (12.1)	85	(847)
All mid-life women	66 (9.0)	51 (12.7)	85	(1201)
By reported impact on employment amongst those who care				
Continued work	59 (9.6)	62 (15.6)	90	(127)
Changed work	71 (8.9)	54 (13.6)	86	(59)
Stopped work	75 (10.3)	52 (12.1)	93	(74)
Cont. not working	65 (6.8)	39 (14.4)	81	(79)

Notes: 1. The 'Graduated Pension' or 'State Earnings-Related Pension Scheme'. 2. Occupational or personal pension. Mid-life defined as 45–64 for men and 45–59 for women. 3. Each pair of figures gives on the left the percentage with a second tier pension, and on the right in brackets the average years of contributions (over the lifetime to the time of survey) to such a pension. Sample sizes are based on unweighted data. Average years of contributions calculated using weighted data.

Source: Authors' analysis of the 1994/95 FWLS.

the relationship between caring and future pension entitlements. Amongst carers, those men who 'continued not working' and who reported being a member of an occupational pension scheme had made contributions for on average over 23 years. This may reflect the fact that this group includes men who were able to retire early and who assumed their caring responsibilities *after* retirement. In contrast, those carers who 'stopped work' had, on average, accumulated *fewer* years of contributions to occupational pensions than other carers (13 years, compared with 21 years for all mid-life men). Interestingly, little difference was found among women, again reflecting the fact that women who had never married are more likely to care in mid-life than other groups of women.

Discussion

The initial findings of this examination of the impact of caring on work arrangements make clear that amongst women with caring responsibilities

in mid-life, combining paid employment with care-giving is *not* an option for a significant minority. One-in-five women who had ever had caring responsibilities reported that, upon starting to care, they stopped work altogether. Another one-in-five reported that they worked fewer hours, earned less money or worked restricted hours. Of concern is the fact that just over a third of the women who reported that their work arrangements had been affected by their caring responsibilities also reported that the cessation of caring was not accompanied by a change in their work arrangements. This will have important consequences both for their current welfare (or income from employment) and their future welfare in terms of the reduced opportunity to accumulate their own pension entitlements.

The evidence suggests that the current system of Credits and HRP does afford carers some protection of their rights to the basic state pension. In fact, those carers who reported that they 'stopped work' on taking on caring responsibilities had, on average, superior entitlements to those who changed work arrangements or continued in the same situation. The current system of Credits and HRP does compensate those who give up work to care, but significant gender disparities remain, with women's entitlement being on average only two-thirds of men's. Moreover, prior to the implementation of the government reforms of the pension system in April 2002, the state did not provide any protection regarding entitlements to second tier pensions. A lower proportion of men and women who stopped work as a result of caring were members of an occupational pension scheme than other groups; and amongst those who were, they had on average accumulated *fewer* years of contributions than their counterparts who continued working. This has implications for their quality of life, as it will directly translate into lower pension income in later life.

There is a growing recognition of the need to support carers in maintaining contact with the world of work (Department of Health 1999). The findings that have been reported emphasise the importance of extending employment schemes that support workers with family commitments – such as parental leave, time-off for dependants and long-term career breaks (Department of Trade and Industry 1999). One example of good employment practice is the maximum five-year career break offered to carers at the Royal Bank of Scotland (Phillips 1999). Such schemes benefit both the individual workers and the employer. A survey undertaken by the Chartered Institute of Management Accounts among 102 large private-sector employers found that firms reported productivity gains from part-time working, mainly due to reduced absenteeism, and that part-time managers were 'more committed and productive than their full-time counterparts' (Boyer 1993; cited in Dex and Scheibl 1999).

The role of employers is central in changing workplace culture to allow more flexibility for employees to combine work and family life (Dex 1999). To date, the British government has committed £10.5 m to support businesses in introducing more flexible working practices. As of January 2002, 87 firms had received funding from the 'Work-Life Challenge Fund' to develop such work-based schemes (Department for Education and Employment 2000, 2001). It has however been notable that many of the funded schemes focus primarily on improving the balance between paid work and parenting, and that little attention has been given to the demands of caring for an older dependant. Although recent developments are welcomed, there are few innovative work-place schemes that are family and care-friendly, and they will take time to spread among employers in different sectors and of all sizes. The recent 'Work-Life Balance Baseline Survey' (WLBS) found that around 13 per cent of employees were looking after or giving help or support to family members, friends or others because of long-term ill health, disability or problems related to old age (Hogarth *et al.* 2000). Despite the fact that people with such caring responsibilities are more likely to need flexibility in their working arrangements, the WLBS found that relatively few carers had flexible employment arrangements. A higher proportion of those with caring responsibilities were in part-time employment (31 per cent as compared with the average of 24 per cent). Relatively few carers were employed in a job-share (5 %) or were able to take advantage of annualised hours schemes (3 %).

Research in a local authority social services department and a National Health Service Trust found that few of the available family-friendly arrangements were routinely taken up (Phillips, Bernard and Chittenden 2002). Access to policies and benefits are dependent on the carer's level in the organisation and their type of work. Managers' discretion and flexibility, as well as their knowledge of a worker's caring and work histories, were found to be very important in her or his access to such benefits. Working carers tended to make use of familiar, easy-to-access policies that did not publicly identify them as in need of help (such as annual leave and time off in lieu).

A recent study of family-friendly employment policies in local government, retailing and retail banking found that 50 per cent of all employees were not aware of the policies offered by their employers (Yeandle *et al.* 2002). Furthermore, managers had inconsistent understanding of the schemes they were responsible for implementing, with many not having suitable training or guidance regarding implementation. Employers had few links with the local social care providers and although many managers were sympathetic to a carer's needs, managerial discretion was critical in

enabling them to achieve a work-life balance. The managers interviewed in the study believed that there was a business case for making family-friendly policies available; however, they highlighted a lack of training, guidance, consultation and communication about the issue as a whole. The government's role in providing continuing financial support and incentives for employers to support the widespread introduction of such schemes therefore remains critical.

In addition to encouraging employers to adapt and develop workplace practices to support carers, the government should also consider providing greater financial incentives for people with caring responsibilities to remain in the labour market. The government has recently introduced a number of reforms that will assist carers. The National Minimum Wage, introduced in April 1999, has increased the income of low paid workers, many of whom are carers.⁷ In addition, in the 2002 Budget, the Chancellor of the Exchequer announced a new Working Tax Credit (WTC) to 'help make work pay for people on low incomes'. The WTC will be introduced in April 2003 and will integrate the support currently available under the Working Families' Tax Credit and Disabled Person's Tax Credit. It will extend in-work support to people on low incomes *without* children or a disability, and has the potential to provide support to carers on low incomes: it is, therefore, a welcome move.

In practice, however, the entitlement rules mean that very few carers will actually benefit from the new WTC. Eligibility for people aged 25 or more years *without* children or a disability will be limited to those who work *30 or more hours a week*; whilst those *with* children or a disability will be eligible for a WTC provided they work *16 or more hours a week*. As many carers who juggle work and caring responsibilities work fewer than 30 hours a week, they will be excluded from the new WTC unless they have additional family responsibilities, *i.e.* children. One suggestion is to extend the additional support offered to those with children, or a disability, to individuals with responsibilities for caring for an adult dependant. This would allow low paid carers who work for 16 to 30 hours a week also to benefit from the WTC. Introducing an explicit carers' dimension into the WTC would provide targeted assistance to the lowest paid carers, including those who have reduced their hours and earnings to accommodate their work and family responsibilities. This would help more people to remain in work.

The implications of benefit and contributions changes upon people's participation in the labour market is only part of the picture. The increased emphasis on earnings-related second tier pensions means that those carers who do remain in work, but who change their working arrangements to take on lower paid, part-time and flexible work, will still

face reduced pension income in later life. So too will those who take advantage of career breaks afforded by the wider availability of flexible workplace practices. The government could also consider extending pension protection for carers. From April 2002, some working-age carers will receive credits to the new 'State Second Pension' (S2P). Although this development is to be welcomed, it is unfortunate that credits will not be given for any informal care undertaken prior to 2002, regardless of the duration of the caring role. Moreover, S2P Credits will be limited to those groups of carers who receive or have underlying entitlement to ICA or HRP. Consequently these pension credits will be available to only the small minority of carers who provide care for more than 35 hours a week. It is particularly difficult to combine such intensive caring with paid work.

If the government is serious about helping carers to combine work and family responsibilities, and about alleviating poverty in later life, it should consider extending S2P credits to working carers who provide care for over 16 hours a week and who earn less than the lower earnings limit.⁸ This will ensure that carers who juggle low paid work and care are not penalised for working, and that their unpaid contribution to society is recognised. For the foreseeable future, until entitlements to S2P have been accumulated, for many carers the basic state pension will continue to be their main source of income in retirement. The level at which this benefit is payable is therefore fundamental in ensuring that people who cared at some stage during their working life have an adequate income in late life. At present, non-married individuals with no source of income other than the BSP are automatically entitled to the means-tested 'Minimum Income Guarantee' (MIG). As the Chancellor of the Exchequer has promised that the value of MIG will be indexed to earnings, and annual rises in BSP are linked to prices, the gap between MIG and BSP is set to increase. The result will be that more people will become reliant on means-tested benefits in retirement. Unless the government begins to 'think the unthinkable', increase the value of BSP, and restore its indexing to earnings, many carers will be consigned to an old age on means-tested benefits. How the contribution of carers is to be recognised in society remains a critical issue for the social policy agenda.

Acknowledgements

The research on which this paper is based is part of a project funded by the Economic and Social Research Council (Grant L480254036). We are grateful to the ESRC Data Archive for permission to access the Family and Working Lives Survey (FWLS), and indebted to Stephen McKay for his expert assistance.

NOTES

- 1 Possible explanations include the lengthy interviews, the complexity of the questionnaire and the private research company which carried out the fieldwork (King and Murray 1996).
- 2 Comparisons indicate that the level of caring is approximately three times higher in the 1995 GHS (12%) compared to the FWLS (4%). However, the difference is less amongst those caring at least 20 hours per week, where the proportion was two per cent in the FWLS and four per cent in the GHS.
- 3 The lower earnings limit in 2002/03 was £75 per week.
- 4 The level of entitlement to BSP before state protection is calculated as: (years of contributions)/44 for a man; and (years of contributions)/39 for a woman. After state protection entitlement to BSP for a man is calculated as: (years of contributions + years of credits)/(44 – years of HRP); and for a woman as (years of contributions + years of credits)/(39 – years of HRP).
- 5 The fact that these women have no entitlement to the BSP implies that they have made no NI contributions despite being in work. This is feasible, as individuals whose average annual earnings are below the lower earning limit are excluded from contributing to the NI system. Two million women were estimated to be in this position in the mid-1990s (McKnight, Elias and Wilson 1998).
- 6 As a consequence of the government's recent pension reforms (Department of Social Security 1998), SERPS was replaced by the new State Second Pension from April 2002. However, since the FWLS was carried prior to these reforms, entitlements to the State Second pension are not included here.
- 7 The minimum wage is currently £4.10 an hour for workers aged 22 and over and £3.50 an hour for workers aged 18–21. From October 2002, these rates will be increased to £4.20 and £3.60 respectively.
- 8 Persons who earn above the lower earnings limit automatically accrue entitlement to S2P, unless they are contracted out into a Stakeholder or other private pension.

References

- Boyer, I. 1993. *Flexible Working for Managers*. Chartered Institute of Management Accountants, London.
- Department for Education and Employment (DfEE) 2000. *Changing Patterns in a Changing World*. DfEE and Scottish Office, Edinburgh.
- Department for Education and Employment 2001. *£5 m for Businesses to Find the Right Work-Life Balance*. Press Release, 21 March, DfEE, London.
- Department of Health 1999. *Caring About Carers: National Carers Strategy*. Department of Health, London.
- Department of Social Security 1998. *A New Contract for Welfare: Partnership in Pensions*. Green Paper. The Stationery Office, London.
- Department of Trade and Industry 1999. *Time Off for Dependents: A Short Guide*. URN 99/1187. Department of Trade and Industry, London.
- Dex, S. 1999. *Families and the Labour Market: Trends, Pressures and Policies*. Family Policy Studies Centre and the Joseph Rowntree Foundation, London.
- Dex, S. and Scheibl, F. 1999. Business performance and family-friendly policies. *Journal of General Management*, 24, 4, 22–37.
- Evandrou, M. 1996. Unpaid work, carers and health. In Blane, D., Brunner, E. and Wilkinson, R. (eds), *Health and Social Organization: Towards a Health Policy for the Twenty-First Century*. Routledge, London, 204–31.

- Evandrou, M. and Winter, D. 1992. Informal carers and the labour market in Britain. In *Social Security: 50 years after Beveridge*. Conference Proceedings, Volume 3. Benefits Agency Printing and Stationery Services, Derby.
- Falkingham, J. and Rake, K. 2001. Modelling the gender impact of British pension reforms. In Ginn, J., Street, D. and Arber, S. (eds), *Women, Work and Pensions: International Issues and Prospects*. Open University Press, Buckingham, 67–85.
- Ginn, J. and Arber, S. 1994. Midlife women's employment and pension entitlement in relation to co-resident adult children in Great Britain. *Journal of Marriage and the Family*, **56**, 813–9.
- Ginn, J., Street, D. and Arber, S. 2001. *Women, Work and Pensions: International Issues and Prospects*. Open University Press, Buckingham.
- Hogarth, T., Hasluck, C. and Pierre, G. with Winterbottom, M. and Vivian, D. 2000. *Work-Life Balance 2000: Baseline Study of Work-Life Balance Practices in Great Britain*. Institute for Employment Research/IFF Research, University of Warwick, West Midlands.
- Holzhausen, E. and Pearlman, V. 2000. *Caring on the Breadline: The Financial Implications of Caring*. Carers National Association, London.
- Howard, M. 2001. *Paying the Price: Carers, Poverty and Social Exclusion*. Child Poverty Action Group, London.
- King, S. and Murray, K. 1996. Family and Working Lives Survey: preliminary results, *Labour Market Trends*, **104**, 3, 115–9.
- Martin, J. and Roberts, C. 1984. *Women and Employment*. Her Majesty's Stationery Office, London.
- McKay, S., Heaver, C. and Walker, R. 2000. *Building Up Pension Rights*. Department of Social Security Research Report 114, Stationery Office, London.
- McKnight, A., Elias, P. and Wilson, R. 1998. *Low Pay and the National Insurance System: A Statistical Picture*. Equal Opportunities Commission, Manchester.
- Office for National Statistics 2002. *Carers 2000: Results from the Carers Module of the General Household Survey 2000*. Stationery Office: London.
- Parker, G. and Lawton, D. 1994. *Different Types of Care, Different Types of Carer: Evidence from the GHS*. Her Majesty's Stationery Office, London.
- Phillips, J. 1999. Developing a caregiver's strategy in Britain. In Lechner, V. and Neal, M. (eds), *Work and Caring for the Elderly: International Perspectives*. Braun-Brumfield, Ann Arbor, Michigan, 47–67.
- Phillips, J., Bernard, M. and Chittenden, M. 2002. *Juggling Work and Care: The Experiences of Working Carers of Older Adults*. Joseph Rowntree Foundation and Policy Press, Bristol.
- Rake, K. (ed.) 2000. *Women's Incomes Over the Lifetime: A Report to the Women's Unit, Cabinet Office*. Stationery Office, London.
- Yeandle, S., Wigfield, A., Crompton, R. and Dennett, J. 2002. *Employers, Communities and Family-Friendly Employment Policies*. Joseph Rowntree Foundation and Policy Press, Bristol.

Accepted 18 April 2003

Address for correspondence:

Maria Evandrou, Institute of Gerontology, King's College London,
Franklin-Wilkins Building, Waterloo Bridge Wing, Waterloo Road,
London SE1 9NN

Email: maria.evandrou@kcl.ac.uk.