



We champion the wider
family who care for children

Grandparents Plus

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Welfare Reform Bill Report Stage Parliamentary Briefing

New Clause 5

Grandparents National Insurance Credit

To move the following Clause:-

'(1) The Social Security Contributions and Benefits Act 1992 (c. 4) is amended as follows.

(2) In section 23A(3)(c) (Contributions credits for relevant parents and carers), after first 'in' insert 'unpaid care for 20 hours in that week or more of a grandchild under the age of 12 or of an ill, frail or disabled family member, friend or partner, or (d) otherwise in'.'

What will this amendment do?

This is a probing amendment to press ministers on what steps they are taking to ensure that grandparents of working age do not face a pensions penalty in retirement when they take on significant caring role for a grandchild.

The new clause that we propose would amend the Social Security Contributions and Benefits Act (1992) to create a credit for anyone who is of working age and providing 20 hours per week or more unpaid care for a grandchild under the age of 12, an ill, frail or disabled family member, friend or partner.

Why is this amendment needed?

In 2007 the Government legislated in the Pensions Act to introduce a weekly credit for parents, foster parents and carers but did not include grandparents. At that time the question of whether or not to

include the care that grandparents provide in the definition of caring was debated in the Other Place but was left unresolved with ministers promising to give it further consideration. We understand that regulations are due to be laid before parliament in the next few weeks and so we are urging ministers to think again about including grandparents. An early day motion laid by Anne Begg MP has received cross party support and already has

The provisions in the 2007 Pensions Act will mean that from April 2010 substantial periods (20 hours per week or more) of unpaid caring work to qualify for a weekly national insurance credit which will count towards a basic state pension. This is a groundbreaking piece of legislation because for the first time unpaid caring will be given the same status as paid work. Ministers rightly won praise from sex equality campaigners at the time as the unequal impact of caring roles is one of the most significant causes of gender inequality, particularly driving the gender pay gap which in turn becomes a huge pensions gap. Only 35% of women currently retire with a full basic state pension.

What is the problem?

If a mother stays at home to care for her child she will get a weekly credit towards her pension. But if she returns to work and her own mother provides the childcare, the grandmother will get nothing. It is the same child. The grandmother has enabled the mother to return to work where she in turn will probably pay tax and national insurance. The mother will increase her family income, perhaps reducing child poverty. Her use of grandparental childcare means she won't be claiming childcare tax credits because informal childcare doesn't qualify. Meanwhile the grandmother may have given up work or reduced her working hours in order to do this. If so, her own pension provision is likely to suffer. The cruel irony is the person who cannot get the credit towards her basic state pension is also the one who is most likely to be facing the imminent prospect of poverty in retirement.

How many people are affected?

Exact figures are not known because there is no official data on this group. However it could be in the hundreds of thousands. We know that:

- there are 14 million grandparents
- research shows that one third of grandparents spend the equivalent of more than 3 days per week caring for their grandchildren
- 3 in 10 grandparents are of working age. This figure is set to grow as we are all expected to remain in work for longer

- One quarter of families use grandparental childcare each week with this care valued at £3.9billion.
- At least half of single parents rely on grandparental childcare
- Half of all grandparents have a living parent, so they often have the task of caring for older relatives too.

Some of those working age grandparents will be covered as carers, or may have complete contribution records already. The final figure will therefore be a smaller proportion of the working age cohort who provide 20 hours per week or more childcare.

Why do you want to introduce a National Insurance credit for grandparents?

We want to ensure that as grandparents approach retirement, they should be credited for substantial periods of time spent caring. For some people this could mean the difference between a full basic state pension and an incomplete contribution record. By improving their chances of having a full basic state pension they will also be better placed to save for themselves. We know that it is largely women who would benefit from this as they are the ones with the incomplete contribution records because of the time they have spent out of the labour market caring for children and other family members.

Are you calling for grandparents to be paid for childcare?

No. This is a completely different issue. It is simply extending to working age grandparents a principle that the government has already conceded for other carers – that 20 hours per week or more of caring should be recognised in the same way as paid work for the purposes of state pension contributions.

How would it work?

We envisage that the tax credit system could be used to identify working age grandparents who are providing significant periods of care as follows:

1. Instead of claiming childcare tax credit a parent would indicate on the form that the child's grandparent will be providing childcare. They would also confirm the grandparent's date of birth and National Insurance number and would have the form countersigned by the grandparent.
2. This information could then be checked against pension records to confirm that the details are correct and also to confirm whether any further NI contributions are necessary in order to ensure the grandparent has a full basic state pension. We know that the Pensions Service monitors individual contribution records because they contact people if they have

incomplete contribution years and they also provide a State Pension forecasting service.

3. The childcare tax credit form would also include the child's date of birth. This information could then be checked against child benefit records to verify the existence and age of the child.
4. As soon as the child reaches the age of 12 the NI credit would stop. If the grandparent no longer provides childcare they or the parent would be obliged to notify HM Revenue and Customs.

How much would it cost?

Because there are no official statistics on the numbers affected it is difficult to confirm how much it would cost. However Grandparents Plus believes the sum required would be modest. By returning to work those parents (mostly mothers) are then not claiming their entitlement to the weekly credit (currently Home Responsibilities Protection). Effectively, what we are proposing would be no more than a transfer of entitlement from parent to grandparent, recognising the care that is being provided and who is providing it. In addition the parent's economic activity will almost certainly mean they are contributing as a tax and National Insurance payer themselves.

Isn't it open to fraud?

Despite the Government's best efforts we know that the tax and benefit system is already vulnerable to fraud. It is estimated that over £20 million each year is lost to social security and housing benefit fraud while tax evasion accounts for a loss of £2billion in tax revenue. What we are proposing is a credit towards a basic state pension in the future, not a payment in the hand now. It is unlikely that many people would be motivated or sufficiently informed about the pensions system to fraudulently claim a national insurance credit in this way. The system would be able to verify the NI number, the pension record, the existence and age of the child and also would be able to confirm that the parent is not claiming a childcare tax credit for any other childcare nor claiming a credit for themselves. The risk of fraud is therefore minimal and much less than the fraud currently experienced by the tax and benefit system.

Who is Grandparents Plus?

Grandparents Plus is the national charity which champions the vital role of grandparents and the wider family in children's lives – especially where they take on the caring role in difficult family circumstances. We work to support grandparents and the wider family by:

Campaigning for change so that their contribution to children's wellbeing and care is valued and understood
Providing evidence, policy solutions and training, so that they get the services support they need to help children thrive
Building alliances and networks so that they can have a voice and support each other, especially when they become children's full-time carers.

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