



**Measuring the value of unpaid care:  
What approach is best?**

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## MEASURING THE VALUE OF UNPAID CARE: WHAT APPROACH IS BEST?

Unpaid care provided to people with a disability, chronic health condition, mental illness or frail age is increasingly recognised as a significant contributor to the Australian economy.<sup>i</sup> As this care is informal (not performed in a volunteer or paid capacity) it is not included in national accounts.<sup>ii</sup> Its economic value must therefore be estimated based on paid care costs, which can be measured in different ways. This briefing compares the methods of three recent reports seeking to estimate the economic value of unpaid care.

In March 2017, PricewaterhouseCoopers (PwC) released a report on the economic value of unpaid work including; childcare, care of adults, domestic work and volunteer work.<sup>iii</sup> This report estimated that the value of unpaid care provided to adults with a disability or age related condition at \$15.4 billion, and the value of unpaid childcare at \$410 billion.

However, these estimates differ greatly from modelling conducted in 2015 by Deloitte Access Economics, which valued unpaid care at \$60.3 billion.<sup>iv</sup> Similarly, a report published by the University of Queensland estimated that the value of replacing carers of a person with a mental health condition in 2015 was \$13.2 billion alone.<sup>v</sup>

This briefing focuses on the different definitions, methodologies and data sources used by Deloitte Access Economics, PwC and the University of Queensland in their respective reports.

### The definition of 'carer'

According to the Commonwealth *Carer Recognition Act 2010* "a carer is an individual who provides personal care, support and assistance to another individual who needs it because that other individual; has a disability, or has a medical condition (including a terminal or chronic illness); or has a mental illness; or is frail and aged."<sup>vi</sup> Deloitte Access Economics applies this definition in calculating the number of carers in their report.

By comparison, PwC separates 'care of adults (the elderly or people with disability, both within and outside the immediate family)' and childcare. This definition fails to accurately represent the total number of carers providing care to a person with a chronic condition or mental illness. Furthermore, by separating care of adults and childcare, there is potentially a large number of parents providing care to a child with disability, chronic condition or mental illness whose more complex, and often more challenging, circumstances are not adequately reflected.

The University of Queensland in their report focus solely on carers of people with a mental health condition. They define a mental health carer as a person "who provides regular and sustained informal care to a care recipient whose main health condition is a mental illness, where the care recipient is aged 16 years or over".<sup>vii</sup>

### The market replacement cost approach

Calculating the value of unpaid care has inherent difficulties, however, a number of approaches have been used, resulting in varying estimates of the value of care (see Table 1). The most commonly used and favoured approach to measuring the value of unpaid care is the market replacement cost approach.<sup>viii</sup> This approach calculates what the value of unpaid care would be in the paid care sector if a person was employed to perform such work.<sup>1</sup>

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<sup>1</sup> Another commonly used approach is the opportunity cost model approach. This values the cost of unpaid care at the rate of what a person would normally earn. For example, if a person works as a lawyer the value of the unpaid care they provide would be valued at this rate. However, this model presents greater difficulties to calculate particularly for people not in the labour force.

## Hours spent caring

The first stage of measuring the value of unpaid care involves calculating the number of unpaid hours carers provide based on the total number of carers in Australia. These three reports differ in this respect, particularly in regards to the data sources they have used. Deloitte Access Economics as well as the University of Queensland use the ABS 2012 Survey of Disability, Ageing and Carers (SDAC). However, the University of Queensland supplements this dataset with a range of other surveys. In comparison, PwC uses the 2011 Census and the 2006 Time Use Survey to determine the number of carers and time spent caring.

Source	Value of care (\$ billion)
<b>PwC (2017)<sup>ix</sup></b>	\$15.4*
<b>University of Queensland (2016)<sup>x</sup></b>	\$13.2**
<b>Deloitte Access Economics (2015)<sup>xi</sup></b>	\$60.3
<b>Australian Bureau of Statistics (2014)<sup>xii</sup></b>	\$3***
<b>Access Economics (2010)<sup>xiii</sup></b>	\$40
<b>Access Economics (2005)<sup>xiv</sup></b>	\$30
<b>AIHW (2003)<sup>xv</sup></b>	\$19.3

**Table 1: Comparison of values of unpaid care**

\*adult care only

\*\*mental health carers only

\*\*\*adult care only (in 2006 dollar terms)

These datasets differ in their approach and methodology when it comes to carers. The SDAC is the largest and most comprehensive survey in Australia of people with disability, the aged, and carers. Whilst the Census enumerates the total population, it is limited in the length and complexity of questions it can ask. Thus the Census only identifies people who have provided unpaid care, help or assistance to family members or others due to disability, long term illness or aged in the last two weeks. By comparison, the SDAC estimates the number of people who provided care that lasted for six months or more. As a result, vast differences in the number of carers are generated between the Census and the SDAC. For example, according to the 2011 Census there were only 1.9 million carers identified<sup>xvi</sup> whereas the 2012 SDAC reported approximately 2.7 million carers.<sup>xvii</sup>

As the SDAC asks primary carers to estimate the number of hours they spend caring each week, Deloitte Access Economics only estimates the number of hours non-primary carers spend each week. The combined figure presented by Deloitte Access Economics was 1.9 billion hours of care provided in 2015. Based on data from the SDAC and other survey data, the University of Queensland estimates that mental health carers provide 208 million hours of care annually.

By comparison, the purpose of the Time Use Survey is to demonstrate the time people spend on both paid and unpaid work. Being over ten years old, this survey may not accurately represent how Australians use their time today. The 2006 ABS Time Use Survey also separates 'adult care' and 'childcare'. In 2006 the Time Use Survey measured the average time spent on adult care as 18 minutes a day, whereas on average 4.13 hours was spent on childcare.<sup>xviii</sup>

## Wage rates

Deloitte Access Economics bases their calculations on paid 'personal carers and assistants' who in 2014 were paid on average \$27.20 an hour (not including overtime).<sup>xix</sup> PwC does not specify which classifications they applied from this dataset.

University of Queensland report does not use a single wage rate. Instead, they use three broad occupations (personal helpers and mentors, disability support workers and a crisis accommodation workers) that reflect the main activities that mental health carers would typically be involved in when caring for a person with a mental health condition.

Both Deloitte Access Economics and the University of Queensland also include on-costs for capital and organisational overheads, whereas PwC does not.

## Conclusion

After calculating the total number of carers, the hours they spend caring and the value of such hours, these figures are then multiplied to achieve the total market replacement value of unpaid carers. In the case of Deloitte Access Economics the difference in hours and the higher value of the wage rate results in \$60.3 billion (in 2015 terms), whereas PwC applied a lower amount of hours spent caring as well as a lower wage rate resulting in a total value of care of adults at \$15.4 billion in (2016 terms).

The University of Queensland also adds another assumption; that if all informal care was replaced with formal care then there would be a reduction in the number of mental health carers requiring income support. They calculate this to a value of \$1.1 billion. As a result, the collective cost to government to replace mental health carers alone in the formal sector was valued at \$13.2 billion in 2015.

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- <sup>i</sup> Australian Institute of Family Studies, Melbourne; Australian Institute of Health and Welfare (2003) *Australia's welfare 2003*, AIHW, Canberra; de Vaus, D., Gray, M. and Stanton, D. (2003), 'Valuations Methods', *Measuring the value of unpaid household, caring and voluntary work of older Australians*, Research Paper no. 34, Hill, T. Thomson, C. and Cass, B. (2011), 'The costs of caring and the living standards of carers', Social Policy Research Paper No. 43, Social Policy Research Centre, University of New South Wales
- <sup>ii</sup> Fine, M. (2007), *A Caring Society? Care and the Dilemmas of Human Service in the 21<sup>st</sup> Century*, Palgrave MacMillan, New York; Australia Bureau of Statistics (2014) *Spotlight on the national accounts: Unpaid work and the Australian economy, May 2014*, Catalogue no. 5202.0, available online at: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/5202.0?OpenDocument>, viewed 16 March 2017.
- <sup>iii</sup> PricewaterhouseCoopers (2017), *Understanding the unpaid economy*, available online at: <http://www.pwc.com.au/australia-in-transition/publications/understanding-the-unpaid-economy-mar17.pdf>, viewed 16 March 2017.
- <sup>iv</sup> Deloitte Access Economics (2015) *The economic value of informal care in Australia in 2015*, Carers Australia.
- <sup>v</sup> Diminic, S., Hielscher, E., Lee, Y.Y., Harris, M., Schess, J., Kealton, J. and Whiteford, H. (2016), *The economic value of informal mental health caring in Australia: technical report*, The University of Queensland, Brisbane.
- <sup>vi</sup> *Carer Recognition Act 2010 (No. 123, 2010)* (Cwth)
- <sup>vii</sup> Diminic et al. (2016), p.5.
- <sup>viii</sup> de Vaus, D., Gray, M. and Stanton, D. (2003), 'Valuations Methods', *Measuring the value of unpaid household, caring and voluntary work of older Australians*, Research Paper no. 34, Australian Institute of Family Studies, Melbourne.
- <sup>ix</sup> PricewaterhouseCoopers (2017), *Understanding the unpaid economy*, available online at: <http://www.pwc.com.au/australia-in-transition/publications/understanding-the-unpaid-economy-mar17.pdf>, viewed 16 March 2017.
- <sup>x</sup> Diminic et al. (2016)
- <sup>xi</sup> Deloitte Access Economics (2015) *The economic value of informal care in Australia in 2015*, Carers Australia.
- <sup>xii</sup> Australia Bureau of Statistics (2014) *Spotlight on the national accounts: Unpaid work and the Australian economy, May 2014*, Catalogue no. 5202.0, available online at: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/5202.0?OpenDocument>, viewed 16 March 2017.
- <sup>xiii</sup> Access Economics (2010) *The economic value of informal care in 2010*, A report for Carers Australia.
- <sup>xiv</sup> Access Economics (2005), *The Economic Value of Informal Care*, Report by Access Economics Pty Ltd for Carers Australia, Canberra.
- <sup>xv</sup> Australian Institute of Health and Welfare (2003) *Australia's welfare 2003*, AIHW, Canberra.
- <sup>xvi</sup> Australian Institute of Health and Welfare (2013) 'Informal Carers', *Australia's Welfare 2013*, Australia's welfare series no.11, Catalogue no. AUS 174, AIHW, Canberra.
- <sup>xvii</sup> Australian Bureau of Statistics (2013), *Disability, Ageing and Carers, Australia: Summary of Findings, 2012*, available online at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4430.02012?OpenDocument>, viewed 16 March 2017.
- <sup>xviii</sup> Australian Bureau of Statistics (2015) *Employee Earnings and Hours, Australia, May 2014*, Catalogue no. 4441.0, available online at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6306.0Main+Features1May%202014?OpenDocument> viewed 16 March 2017.
- <sup>xix</sup> Australian Bureau of Statistics (2015) *Employee Earnings and Hours, Australia, May 2014*, Catalogue no. 4441.0, available online at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6306.0Main+Features1May%202014?OpenDocument> viewed 16 March 2017.