



Caring Costs Us: The economic impact on lifetime income and retirement savings of informal carers – a report for Carers Australia

Summary of Findings

March 2022

About the Report

'Caring Costs Us: The economic impact on lifetime income and retirement savings of informal carers – a report for Carers Australia' ([Caring Costs Us Report](#)) was prepared by Evaluate on behalf of Carers Australia. Evaluate is an independent private economic consulting practice, with a particular focus on social policy.

Carers Australia and the National Carer Network – our members, the peak carer organisations in each state and territory – commissioned the Caring Costs Us Report to highlight the economic impact of unpaid care on the lifetime income and retirement savings of Australian carers.

Every day, over 2.65 million carers provide care and support to people living with disability, chronic or life-limiting illness, are frail aged or have a mental illness, alcohol or other drug related condition. Carers Australia uses the term 'carer'¹ as defined by the Commonwealth *Carer Recognition Act 2010*² (the Act), where it should not be used broadly and without context to describe a paid care worker, volunteer, foster carer or a family member or friend who is not a carer.

This paper follows from prior work undertaken for Carers Australia looking at the value of informal care in Australia³ which found it would have cost \$77.9 billion in 2020 to replace this care with formal paid services, such as those accessed via My Aged Care or the National Disability Insurance Scheme (NDIS).

The right to participate in economic, social and community life is recognised under the Act which states carers "should be supported to achieve greater economic wellbeing and sustainability and, where appropriate, should have opportunities to participate in employment and education."⁴

Carers in Australia experience considerably poorer employment outcomes, with a 52.2% employment to population ratio compared with 75.9% for people without caring responsibilities.⁵ The education and employment prospects for Australia's 235,000 young carers⁶ are also poor where more than 60% of young carers have not studied beyond high school, and on average are expected to receive income support for 43 years over their lifetime.⁷

Carers Australia has prepared this summary document to highlight what we believe to be the key findings of the overall Caring Costs Us Report:

- Australian carers lose a considerable amount in lifetime earnings and superannuation
- The age a person becomes a carer is significant on the financial impact of caring
- Income support through Carer Payment is less than 30% of the average weekly earnings
- The value of the Carer Allowance has significantly decreased since its introduction
- No real improvement in government expenditure on informal care

Overall, the Caring Costs Us Report demonstrates a significant disparity in governments' willingness to fund formal care services compared to investing in adequate financial assistance for carers to sustainably continue their caring roles and have security at retirement age. There is no coherent policy argument for this, and it appears manifestly unjust. Where the rewards for caring are reduced, the opportunity cost of care increases, and fewer people will be willing and able to meet the demand for carers in the future.

1 The terms 'informal carer', 'unpaid carer' or 'family and friend carer' are also often used by organisations, government and the community to describe a carer. Carers Australia may use these terms to assist in providing context and to differentiate between other types of care provision.

2 The Parliament of Australia, *Carer Recognition Act 2010* (No. 123,2010), Part 1, Section 5 'meaning of carer' [[accessed online](#)].

3 Deloitte Access Economics (2020). 'The value of informal care in 2020' for Carers Australia [[accessed online](#)].

4 *Carer Recognition Act* (Cth) (2010). 'The Statement for Australia's Carers' Principle 9 [[accessed online](#)].

5 Australian Bureau of Statistics (2018). 2018 Survey of Disability, Ageing and Carers [[accessed online](#)].

6 Note 'young carers' are carers aged 12-25 years of age.

7 Australian Government Department of Social Services (2017). 'Try, Test and Learn Fund: Data Driven Job Opportunities for Young Carers Factsheet' [[accessed online](#)].

The focus on income, superannuation, Carer Payment and Carer Allowance

The Caring Costs Us Report recognises that while there is some Australian Government financial support available for carers (Carer Payment and Carer Allowance⁸), the costs and benefits of care are not easily translated into pure income and need to consider the health costs to carers, non-financial losses, and the benefits of being a carer.

- The Carer Payment is an income support payment for a person who gives constant care to someone who has a severe disability, illness, or an adult who is frail aged and does not spend more than 25 hours a week away from caring. Eligibility for this payment also depends on income and assets.
- The Carer Allowance is for people who give additional daily care to someone with a disability or medical condition, or an adult who is frail aged. Eligibility for this allowance also depends on income.

The diversity of caring situations, including a person's gender, income before caring commenced, other socio-economic factors, the age of the carer when caring began, and how long the caring role is undertaken must also be considered in the financial impact result, along with available substitute paid care options.

In the absence of appropriate data on how individual carers subjectively value the care experience, the only common measurement that can be used is financial impact: first in terms of lost income during working life; and second, in the longer-term reduction in accruing superannuation. In economic terms this is called the 'opportunity cost of caring'.

The Caring Costs Us Report acknowledges that this study seeks to understand financial impact and does not deal with the human complexity of decisions to care. As such, the focus of the Caring Costs Us Report is on income and superannuation measures and seeks to answer three separate but related questions:

1. What is the cost to carers of making the decision to care for a family member or friend, taking into account the net difference between carer subsidies (Carer Payment and Carer Allowance) and income foregone?
2. What improvements to the overall incentive to care would efficiently increase the number of carers?
3. What would be the fiscal cost to government of different options?

It is important to note that the findings and options presented in the Caring Costs Us Report are only one component to address the barriers and long-term impacts on carers' financial and economic security. Carers also need to be supported and enabled to participate in employment, education and training, without affecting those who are not eligible for carer subsidies, or who choose to or cannot work whilst they undertake their caring role.

This summary of findings should be read in combination with the full [Caring Costs Us Report](#) which provides detailed background on caring in Australia, the history of support for carers including income support and financial assistance, the impacts and different circumstances related to caring, the assumptions and detailed results of the economic modelling and microsimulation undertaken, and more information on the potential policy solutions put forward by Evaluate.

8 More information on the Carer Payment and Carer Allowance can be found from [Services Australia](#). As at [December 2021](#), there were 301,197 people receiving the Carer Payment, and 622,860 receiving Carer Allowance (noting some carers receive both).



Summary of Findings

1. Australian carers lose a considerable amount in lifetime earnings and superannuation

On average and at 2021 subsidy settings a person who becomes a primary carer will lose:

- \$392,500 in lifetime earnings⁹ to age 67; and
- \$175,000 in superannuation at age 67.

On average, the superannuation balance at age 67 of a person who becomes a primary carer is reduced by about \$17,700 for every year that they are a primary carer. Similarly, their lifetime earnings are reduced by \$39,600 for every year that they are a primary carer.

Some people who care for extended periods of time will lose substantially more, with the most affected 10% losing at least \$940,000 in lifetime income, and \$444,500 in retirement savings.

2. The age a person becomes a carer is significant

The younger a person becomes a primary carer the greater the impact caring will have on both their superannuation balance at age 67, and their lifetime earnings to age 67.

On average, a person who becomes a primary carer at the age of 35, and who then remains a primary carer for the same number of years as a person who becomes a primary carer at age 45, will have a superannuation balance at age 67 that is \$124,400 lower than the other primary carer.

While a person at 45 is likely to forego more immediate income than a person at 35, the more significant factor is the loss of early superannuation, which has potential for a more significant impact at retirement.

The level of a person's income before they become a carer is also significant – not surprisingly, the higher paid a person is before they become a primary carer the larger the impact that caring will have on their superannuation balances at age 67 and lifetime incomes to age 67.

3. Income support through Carer Payment is less than 30% of the average weekly earnings

In 2021 the maximum rate of income support for carers was equivalent to 27.8% of average weekly ordinary time earnings for singles and 21.0% for members of couples.

This is equivalent to the maximum rate of the Age Pension and Disability Support Pension.

4. The value of the Carer Allowance has significantly decreased since introduction

When the Carer Allowance was first introduced (as the Domiciliary Nursing Care Benefit) its value was equivalent to:

- 25% of the income of a couple whose only income was the basic Age Pension;
- 93% of the Australian Government Personal Care Subsidy payable in respect of a person in an approved Aged Person's Hostel;
- 57% of the Australian Government Basic Nursing Home Benefit payable in respect of a person in an approved Nursing Home; and
- 33% of the Australian Government Extensive Nursing Home Benefit payable in respect of a person in an approved Nursing Home and receiving extensive care.

The value of the Carer Allowance has significantly decreased in real time and in 2021 was equal to just:

- 10% of the income of a couple whose only income was from the Basic Age Pension;
- 6% of the average Australian Government Basic Care Subsidy payable in respect of a person in an approved Aged Care Home; and
- 1.5% of the average amount payable in respect of a person with a disability living in shared accommodation.

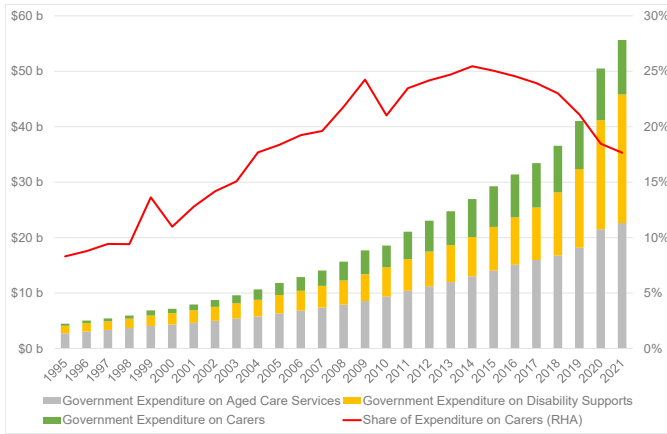
9

Lifetime earnings here means the average expected lifetime earnings for an Australian, depending upon gender.

5. No real improvement in government expenditure on informal care

There has been substantial growth in government expenditure on the paid care sector within aged care and disability support over recent years, yet investment in informal carers (or ‘family and friend’ carers) as a share of government expenditure has fallen since 2014 (see Figure 1).

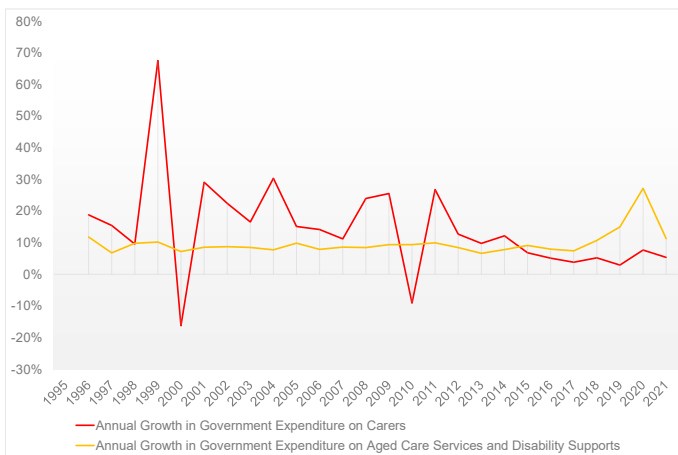
Figure 1: Government expenditure on care: 1995 – 2021¹⁰



While this suggests an increase in the economic efficiency of ‘informal’ care from government perspectives, it should also lead to long-term inefficiency in the allocation of funding: where the rewards for caring are reduced, the opportunity cost of care increases – fewer prospective informal carers will be willing to meet demand.

The consequence of this is an increase in demand for substantially more expensive paid care services, including residential care. This means that reducing the share of funding for informal care is a false saving (see Figure 2).

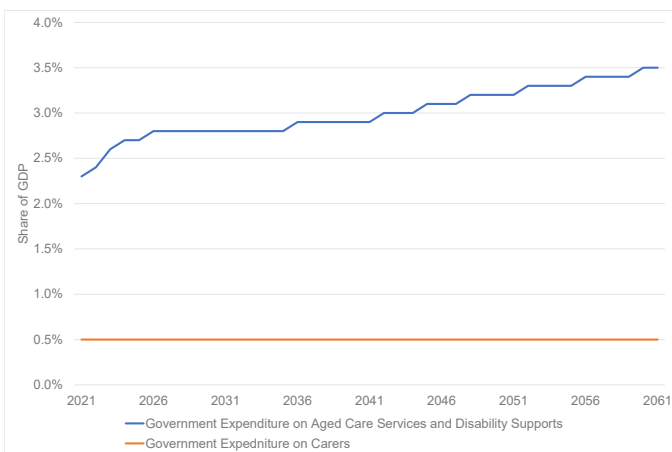
Figure 2: Growth in government expenditure on carers versus expenditure on aged care and disability support since 1995¹¹



The growth in care expenditure as a percentage of GDP is not intended to be reflected in any rate of growth on informal care expenditure over the next four decades (see Figure 3 below). What we see looking forward is the increasing gap between the amount of GDP required to be allocated, and the flat allocation to informal carers. This can only further reduce the incentive to be an informal carer, and increase budget stress from replacement formal care demands.

Any reduction in superannuation balance at age 67 has flow on impacts to government expenditure in retirement. For example, depending on the other income and assets held by a primary carer, a reduction of \$175,000 in superannuation balance at age 67 would increase eligibility for the Age Pension by about \$20,400 per year.

Figure 3: Expected growth in aged care and disability support funding versus carer funding to 2061¹²



10 Corresponds to Figure 3 of full Caring Costs Us Report (p.22).
 11 Corresponds to Figure 4 of full Caring Costs Us Report (p.23).
 12 Corresponds to Figure 5 in full Caring Costs Us Report (p.23).



The two fiscal policy options

Policy Option 1: Government pays Superannuation Guarantee Contribution on the Carer Payment

Government paying into the superannuation accounts of primary carers based on the amount of Carer Payment they receive is one policy option to address the economic imbalance for carers.

Based on the 2021 budget, for the 2022-23 financial year and an expected total expenditure on the Carer Payment of \$6.780 billion, government paying a contribution of 10.5% into carers' superannuation, would cost a little over \$700 million in the first year.

This would increase average superannuation balances by \$52,500, reducing Age Pension costs by up to \$84,000. For one in four primary carers it would increase their superannuation balance at age 67 by more than \$66,000.

These savings to the Australian Government in future expenditure on the Age Pension are significantly higher than the cost of the proposed superannuation payments per person. On a lifetime cost basis, there is an actual saving from this measure.

On average, this change in policy would close the superannuation deficit for carers by about 37%.

Policy Option 2: Increase the Carer Allowance

There are two scenarios provided on increasing the Carer Allowance as it is likely that the number of people willing to be primary carers would increase as a result, with further savings to government due to decreased reliance on paid care services.

Based on the 2022-23 estimate of \$2.445 billion spent by the Australian Government on Carer Allowance, and noting that 48% of Carer Allowance recipients also receive the Carer Payment, the two scenarios are:

- Increase the Carer Allowance by 150% for those who are in receipt of the Carer Allowance but not the Carer Payment, to return it to the historical measure of a 25% supplement to a couple's Age Pension.
 - This would offset on average 9.6% of the loss in lifetime income to age 67 that a primary carer experiences.
 - This would cost the Australian Government \$1.907 billion in the first year.

OR

- Increase the Carer Allowance by 475% for those who are in receipt of both the Carer Payment and the Carer Allowance, to return it to one third of the average basic care subsidy for residential aged care, acknowledging the need for high-intensity care.
 - This would offset 31.0% of the loss in lifetime income to age 67 faced by primary carers
 - This would cost the Australian Government \$5.575 billion in the first year.

An increase in the number of carers who would qualify for Carer Payment or Carer Allowance would lead to an increase in \$9.925 billion in overall expenditure (refer to full Caring Costs Us Report for assumptions).

The result in savings from new carers in lieu of replacement paid care would be \$4.569 billion. The net cost of these measures would be \$5.357 billion.

CONCLUSION

This economic modelling has demonstrated the proposed increase in government expenditure would be offset by savings in paid care services and Age Pension costs. Carers Australia present these policy options to government to inform considerations on the economic efficiency of supporting both the paid care workforce **and** informal carers during current and ongoing reform processes.

Thirteen years on from the *2009 Who Cares...?: Report on the inquiry into Better Support for Carers* by the House of Representatives Committee, carers are still not recognised or embedded within reform. We are seeking a coherent and flexible approach to address the barriers and long-term financial and economic impacts on the one in 11 Australians who are carers as they maintain and thrive in their caring roles.

Carers Australia calls on the Australian Government to ask the Productivity Commission to undertake a broad review of economic and financial support for carers, including:

- Model the costs and benefits of providing retirement solutions such as a superannuation guarantee or carer pension credits to people who have had reduced employment opportunities to provide continuous care and rely on the Carer Payment.
- Review the Carer Payment and Carer Allowance and recommend ways to incentivise carers to participate in the workforce, education and training, without affecting carers who cannot work.
- Conduct a cost of caring and living analysis of carers to examine implications for short-term and long-term financial security and economic outcomes across caring roles, with a particular focus on women, single carers, and young carers.



ABOUT CARERS AUSTRALIA

Carers Australia is the national peak body representing the diversity of the 2.65 million Australians who provide unpaid care and support to family members and friends with a disability, chronic condition, mental illness or disorder, alcohol or other drug related condition, terminal illness, or who are frail aged.

In collaboration with our members, the peak carer organisations in each state and territory, we collectively form the National Carer Network and are an established infrastructure that represent the views of carers at the national level.

Our vision is an Australia that values and supports all carers, where all carers should have the same rights, choices and opportunities as other Australians to enjoy optimum health, social and economic wellbeing and participate in family, social and community life, employment and education.

Disclaimer: This document has been developed as a summary of the key findings of the 'Caring Costs Us: The economic impact on lifetime income and retirement savings of informal carers report' from Carers Australia's perspective. This summary should be read in combination with the full Caring Costs Us report by Evaluate.

While Carers Australia makes every attempt to ensure material provided is accurate, current and complete it should be considered carefully and may change over time. Carers Australia is not liable for any error or omission in this document or for any injury, loss or damage incurred by reliance on the information provided.

This document contains links to other external websites which are not under the control of Carers Australia. We have no control over the nature, content and availability of those sites. The inclusion of any links does not necessarily imply a recommendation or endorse the views expressed within them.