

5 February 2020
Retirement Income Review Secretariat
The Treasury
Langton Crescent, Parkes ACT 2060
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Carers NSW welcomes the opportunity to respond to the Retirement Income Review consultation paper. Our submission addresses the challenges experienced by family and friend carers in accruing adequate saving and superannuation to support their retirement as a result of their reduced workforce engagement, their higher than average reliance on income support and the additional costs associated with caring for someone.

A carer is any individual who provides care and support to a family member or friend who has a disability, mental illness, drug and/or alcohol dependency, chronic condition, terminal illness or who is frail. Carers NSW is the peak non-government organisation for carers in New South Wales (NSW). Our vision is an Australia that values and supports all carers, and our goals are to:

- Be a leading carer organisation in which carers have confidence
- Actively promote carer recognition and support
- Actively support carers to navigate a changing service landscape that will be characterised by ongoing policy reform
- Promote connected community experiences and opportunities for carers that are inclusive of diverse carer groups
- Lead and advocate for carer-specific and carer-inclusive policy making, research and service delivery

Thank you for accepting our submission. For further information, please contact Melissa Docker, Policy and Development Officer, on (02) 9280 4744.

Yours sincerely



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**Carers NSW submission: Retirement
Income Review consultation paper
November 2019**

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AN AUSTRALIA THAT VALUES AND SUPPORTS ALL CARERS

INTRODUCTION

*“The valuable social and economic contribution that carers make to society should be recognised and supported”.*¹

Carers represent a significant proportion of the Australian population, and their contribution to society and the economy is considerable. According to the Australian Bureau of Statistics 2018 Survey of Disability, Ageing and Carers (SDAC), there are approximately 2.65 million carers in Australia.² Nearly 900,000 of Australia’s carers are aged 65 years or older, and over 50% of carers aged over 65 are female. ‘Primary carers’, who provide the most care to an individual, who are aged over 65 provide on average 21.6 hours of care per week, and in 2019 provided an estimated 309.5 million hours of care³.

Primary carers, across the lifespan, are significantly financially disadvantaged in comparison with their non-caring counterparts. Carer data indicates that caring is often long-term in nature, resulting in accumulated economic disadvantage. Slightly more than 50% of all carers live in a household in the lowest two income quintiles, which is double the rate of non-carers.⁴ Working age carers (15-64 years) are also more likely to receive government payments or allowances as their main source of income compared to non-carers of the same age (26% and 11% respectively).⁵

The majority of carers aged over 65 have provided care for an extended period of time, with around 1 in 5 carers providing care for over 20 years and are caring for a spouse or partner.⁶ However, carers can also be caring for a parent, child, friend or neighbour, sibling or another relative.⁷ Data which reveals that most carers aged 65+ are caring for their partner, suggests that these carers are predominantly providing aged care. Carers are highly likely to experience socio-economic disadvantage and should therefore be considered a priority group for assistance.

The value of unpaid care

It is estimated that the total cost of replacing the care provided by carers with paid services would be 60.3 billion dollars.⁸ If carers were to cease providing informal support, and subsequently care recipients were required to transition to public or private sector institutions, both within and external to the community, this would come at a significant cost to government.

Formal care services are provided across a variety of sectors, including aged care, disability, mental health and health; the costs to the government continues to increase as the result of demographic changes, such as Australia’s ageing population, and reforms such as the National Disability Insurance Scheme. Little attention is afforded to the economic costs and significant economic contribution of unpaid carers, however, or the economic implications for carers who supplement, or in many cases completely replace, care services where they are not available or adequate. This submission will explore these consequences in detail.

Carer finances across the life course

The median weekly income for a primary carer aged 15-64 is around \$600 compared with between \$800-1100 for non-carers.⁹ The median weekly income for primary carers aged 65+ is approximately

¹ Carer Recognition Act (2010) Cwth. The *Statement for Australia’s Carers*.

² Australian Bureau of Statistics, (2019). *Survey of Disability, Ageing and Carers 2018*. TableBuilder Dataset. Canberra: Australian Government. Online available under: www.abs.gov.au.

³ Australian Bureau of Statistics, 2019b: *Survey of Disability, Ageing and Carers, 2018*. TableBuilder dataset. www.abs.gov.au, Australian Government, Canberra.

⁴ Australian Bureau of Statistics, (2018). *Survey of Disability, Ageing and Carers*. Australia: Summary of Findings, 2018

⁵ Australian Bureau of Statistics (2016), *Disability, Ageing and Carers, Australia: Summary of findings, 2015*, Carer tables, Canberra.

⁶ Ibid.

⁷ Ibid.

⁸ Deloitte Access Economics (2015) *The economic value of informal care in Australia in 2015*.

⁹ Australian Bureau of Statistics, (2019). *Survey of Disability, Ageing and Carers 2018*. TableBuilder Dataset. Canberra: Australian Government. Online available under: www.abs.gov.au.

\$400 compared with \$465 on average for non-carers.¹⁰ In addition, both carers and non-carers aged 65+ are dependent on a government pension or allowance as their main source of income; nearly 3 in 4 primary carers are dependent on a government pension or allowance, compared with approximately 55% of non-carers.¹¹ This is more so the case for female primary carers.

Primary carer participation in the labour force is also significantly lower than that of non-carers; male primary carers aged 15-64 are approximately 27% less likely to be participating in the workforce, whilst female primary carers of the same age group are 17% less likely.¹² For primary carers aged over 65+, 17% of male and only 11.8% of female primary carers are participating in the workforce.¹³ Many working carers reduce their hours, limit career progression or exit the workforce altogether due to the challenges of balancing work and care.¹⁴ The Australian Human Rights Commission has identified that there needs to be cultural change within Australian workplaces to enable working carers to achieve this balance.¹⁶ In addition, legislation should be enhanced to strengthen protections for carers at work, particularly in regards to making requests for flexible working arrangements.¹⁷

The vast majority of carers must meet additional and high living expenses on low incomes. In response to the Carers NSW 2018 Carer Survey, nearly 50% of carers under the age of 65 reported it was difficult or very difficult to meet their living expenses, and more than a quarter of carers aged 65+ reported the same level of difficulty.¹⁸ A vast majority of carers under 65 reported that their retirement would be funded by government pension or through their superannuation.¹⁹ The high levels of carers in receipt of income support will be explored further later in this submission. As the result of low income and high living costs, carers are less likely to own their home and their capacity to accrue savings is significantly reduced.

Anecdotal learning from Carers NSW service provision and consultation indicates that many carers have little superannuation in which to plan for their later life and needs. The recommended sustainable superannuation balance at retirement is between \$500,000- \$1,000,000.²⁰ For carers, the average superannuation balances at time of retirement- assumed to be between ages 60 and 64- in 2015-16 were \$270,710 for men and \$157,050 for women.²¹ Median balances at retirement age are \$110,000 for men and \$36,000 for women, whilst the household median at retirement age is \$154,950.²² Nearly half of female carers aged 65-69 have no balance.²³ These figures suggest that for many carers, retirement and superannuation outcomes are not determined by factors such as financial capacity or literacy, but rather by the inability to accrue a retirement income that will be sustainable and adequate for later life. This economic disadvantage must be urgently addressed for carers.

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

¹⁴ Australian Bureau of Statistics, (2019). *Survey of Disability, Ageing and Carers 2018*. TableBuilder Dataset. Canberra: Australian Government. Online available under: www.abs.gov.au.

¹⁵ Carers NSW (2018), *Carers NSW 2018 Carer Survey: Summary Report*, Carers NSW: North Sydney

¹⁶ Australian Human Rights Commission (2016), *Willing to work: National Inquiry into Employment Discrimination Against Older Australians and Australians with Disability*, Australian Human Rights Commission: Sydney.

¹⁷ Skinner, N., Pocock, B. (2014), *The Persistent Challenge: Living, Working and Caring in Australia in 2014. The Australian Work and Life Index 2014*, Centre for Work and Life, University of South Australia: Adelaide.

¹⁸ Carers NSW, 2018: Carers NSW Carer Survey, unpublished data. Carers NSW, Sydney.

¹⁹ Ibid.

²⁰ Clare, R., 2017: Superannuation account balances by age and gender. ASFA, Sydney.

²¹ Ibid.

²² Ibid.

²³ Ibid.

Increasing reliance on unpaid carers

Ageing population

The challenges for carers, including on their retirement and superannuation outcomes, will be increasingly impacted by Australia's steadily increasing ageing population, as the need for informal care will continue to grow. One in seven members of the Australian population is aged over 65, and this number is expected to grow steadily into the future.²⁴ In 2017, there were 3.7 million Australians over the age of 65; by 2054-55 this is expected to increase to 8.9 million.²⁵ This will result in an increased number of people requiring assistance with their activities of daily living, from meal preparation and nutrition, to mobility and safety in the community.

The 2018 SDAC found that approximately 1.7 million people who are ageing or frail require assistance with at least one everyday activity, with 70% of those reporting receiving some assistance with everyday activities from informal supports. As previously highlighted, informal care is most commonly provided by spouses or partners, who are often ageing themselves, representing over one third of informal carers for people who are ageing or frail.²⁶

As the care needs of people who are ageing increase, it becomes more difficult for informal carers to sustainably continue providing care in the community without the assistance of formal services. As of 30 June 2019, 1.2 million Australians - almost one in three people over the age of 65 – receive some form of Commonwealth funded aged care service.^{27,28} Three quarters of aged care consumers receive a form of assistance in the home or community, the remaining quarter, for whom staying at home is no longer an option, utilise residential aged care.²⁹ At the current time, approximately 112,000 people are on the waiting listing to receive a home care package, indicating that the formal support available at present is inadequate in meeting current need.³⁰

Sandwich carers

There is an increasing number of 'sandwich carers' – providing care to a spouse or parent as well as children – who face even greater economic disadvantage. Most sandwich carers are working aged women who balance these multiple care responsibilities at a time when for other individuals, career and professional development are critical, and many also need to engage in employment to achieve economic security and meet the financial demands of raising a family and, in many cases, paying a mortgage. This affects around 11% of women in their forties, rising to around 25% of women in their fifties.³¹

²⁴ Australian Institute of Health and Welfare (AIHW). (2018). *Older Australians at a Glance: Demographics of Older Australians*. Available online at: <https://www.aihw.gov.au/reports/older-people/older-australia-at-a-glance/contents/demographics-of-older-australians>, last accessed 12/09/2019.

²⁵ Deloitte Access Economics (2016) *Australia's aged care sector: economic contribution and future directions*, Deloitte Access Economics: Sydney.

²⁶ Australian Bureau of Statistics (2019) *Survey of Ageing, Disability and Carers 2018*, TableBuilder Dataset. Australian Government, Canberra. Available online at: www.abs.gov.au

²⁷ Australian Institute of Health and Welfare (AIHW) (2019), *People using aged care*, available online at: <https://www.gen-agedcaredata.gov.au/Topics/People-using-aged-care>, viewed 27 November 2019.

²⁸ Department of Health (2019), *Home Care Packages Program: Data report 4th quarter 2018-2019*, available online at: https://www.gen-agedcaredata.gov.au/www.aihwgen/media/Home_care_report/HCPP-Data-Report-4th-qtr-2018-19.pdf, viewed 21 October 2019.

²⁹ AIHW (2019), *People using aged care*, available online at: <https://www.gen-agedcaredata.gov.au/Topics/People-using-aged-care>, viewed 27 November 2019.

³⁰ Department of Health (DOH) (2019), *Home care packages program: Data Report 1st Quarter 2019-20*.

Available online at: https://www.gen-agedcaredata.gov.au/www.aihwgen/media/Home_care_report/Home-Care-Data-Report-1st-qtr-2019-20.PDF, viewed 04 February 2020.

³¹ Gregorevic, K. (2019). *Why more must be done to support the health of 'sandwich women'*. The Sydney Morning Herald, accessed online at <https://www.smh.com.au/lifestyle/life-and-relationships/why-more-must-be-done-to-support-the-health-of-sandwich-women-20190923-p52txq.html>

Sandwich carers are often further limited in their capacity to engage in employment, address their own health and wellbeing needs, or achieve their social and economic objectives. The implications of sandwich caring for retirement income and superannuation outcomes are extensive. For sandwich carers who have no alternative but to reduce their working hours, or leave the workforce entirely, their accrual of retirement income is entirely jeopardised.

Service gaps resulting from system reform

Carers NSW is concerned by the pressures placed on carers as the result of service gaps which eventuate following system reforms, including across sectors such as aged care, mental health, disability and health. Where service gaps place greater responsibility on carers to provide informal support psychosocial support, carers may be forced to reduce their working hours or seek flexible working arrangements where they are unable to secure or fund replacement care. This in turn has implications for carer finances and long term economic security in retirement. Carers NSW recommends that careful consideration is given to the implications for carers, where changes are made to systems and funding models. This is discussed in more detail in a later section of this submission.

“For Thea, the financial impacts of caring hit early in life when her son sustained a debilitating brain injury. Thea was forced to abandon her teaching career and never returned to full employment, even when her ex-husband took over primary care five years later, in the wake of Thea’s (carer-related) ill health. With lapsed professional skills, low confidence, ongoing health issues and a continuing impetus to support to her son, Thea couldn’t accrue assets for retirement and “stopped applying for jobs two years ago” after “fruitless” searching. Thea has now secured a shared private rental house in a disadvantaged suburb of Melbourne and finds the arrangement works well, as she pays for two bedrooms in case her son needs to stay, but otherwise is able to split costs. Thea’s limited income, her son’s continuing needs and the insecure and short-term nature of the rental housing tenure make it almost impossible for her to plan for a time when she herself may need care.”

- Per Capita, *Mutual Appreciation: A social innovation think piece* (2019).

REVISITING THE SYSTEM’S ASSUMPTIONS

Australia’s ageing population has seen increasing focus placed on sustainability and efficiency in the development and assessment of retirement income systems. As such, the current retirement system is concentrated on encouraging and supporting self-sufficiency, assuming that all people will have equal capacity to save for the future through compulsory superannuation or voluntary savings.

The result of this has been limited provisions to ensure that those who are unable to participate in the workforce or accrue wealth due to their caring role are supported equally into retirement. While the Age Pension acts as a ‘safety net’ for many carers, the modesty of the payment and narrowing eligibility criteria continue to disadvantage carers, perpetuating inequity well into retirement.

Whilst Carers NSW acknowledges the importance of sustainable welfare spending, equity and adequacy are fundamental to the longevity of the retirement incomes system. Failure to adequately support carers into retirement is likely to result in greater costs to government, with financial strain, housing stress and lower levels of health and wellbeing culminating in the instability of informal caring arrangements and increased need for costly crises intervention services and supports.

Carers NSW therefore supports the principles put forth in the Consultation Paper³², however believes that the key to an effective retirement income system will be ensuring that equity and adequacy are valued as equally as important as sustainability and social cohesion.

ACHIEVING EQUITY

The Consultation Paper has recognised that for many Australians their retirement, as well as their ability to accrue wealth, is influenced by a number of variables, including broader economic and workplace trends, time spent outside of the workforce and whether they own their own home or retire with a housing tenure. While Carers NSW understands that there are many Australians who experience inequity as they enter retirement, broader, long-term financial inequity can be felt more acutely by carers. This is largely due to the fact that many carers are unable to participate in full-time work consistently and often have to accommodate the often high costs of caring on a relatively low income from part-time work and/or income support. The financial hardships that carers are likely to experience throughout their life course, particularly if they begin caring at a young age, result in an inability to accrue wealth and in turn, retire at a standard that is neither equitable nor adequate.

Young carers and intergenerational disadvantage

Young carers are children and young people aged 25 years and under who provide unpaid care and support to a family member or friend. Data from the SDAC indicates that there are 260,000 young carers in Australia,³³ however this is likely to be an underestimate, as many young carers continue to remain hidden. Many do not identify as young carers, either because they or the people around them do not know what a young carer is, or because they are afraid of the implications of disclosing their family situation, which may lead to stigma, bullying or raise questions of child protection.³⁴ While young carers often gain important skills from their caring role, they are also more likely to experience a number of vulnerabilities, particularly when it comes to their education and employment.

Many young carers have trouble balancing school work with their caring role. Research indicates that young carers have higher rates of absenteeism and may have difficulties in completing assignments or homework due to their caring responsibilities.³⁵ Furthermore, young carers are less likely to finish year 12 and have a post-secondary education than non-carers of the same age.³⁶ Without adequate support, such issues can affect students' educational achievement, in turn affecting their employment prospects³⁷ and long-term financial security.

Analysis of data from the Carers NSW 2016 Carer Survey, indicated that the participation of young carers in paid employment was significantly affected by their caring role, with many indicating that they had stopped work or changed their work hours to accommodate caring responsibilities, while others were in a job below their skillset or were reluctant to take on work entirely.³⁸ Other research indicates

³² The Treasury (2019), Retirement Income Review: Consultation paper, The Treasury: Canberra.

³³ Australian Bureau of Statistics (2020) *Survey of Ageing, Disability and Carers 2018*, TableBuilder Dataset. Australian Government, Canberra. Available online at: www.abs.gov.au

³⁴ Cass, B, Brennan, D, Thomson, C, Hill, T, Purcal, C, Hamilton, M, and Adamson, E (2011) *Young carers: Social policy impacts of the caring responsibilities of children and young adults*, Report prepared for ARC Linkage Partners, October 2011.

³⁵ Carers NSW (2017) Young Carer Policy Statement.

³⁶ Hill, T et al. (2011), 'Young Carers: Location, Education and Employment Disadvantage', *Australian Journal of Labour Economics*, vol. 14, issue 2, pp. 173-198.

³⁷ Moore and McArthur (2007); Bray, R. (2012) *Young carers in receipt of Carer Payment and Carer Allowance 2001 to 2006: characteristics, experiences and post-care outcomes*, Occasional Paper No. 47, Social Policy Evaluation, Analysis and Research Centre, Australian National University.

³⁸ Carers NSW (2017). *Young Carers, Barriers to Accessing Employment*.

that young carers may experience higher levels of unemployment, particularly if available work is not suitable to their caring role i.e. paid work needs to be in relative proximity to their home.³⁹

The barriers to education and employment that many young carers face, coupled with the growing trend of young people taking longer to commence full time work⁴⁰ and the fact that nearly one in five unemployed young people have been out of work for more than a year⁴¹, greatly affects their capacity to begin accumulating savings for retirement, especially as research has indicated that the adverse financial impacts carers experience as a result of their caring role are felt years after the caring role has ceased.⁴² It is equally important to note that the growing casualisation of the workforce and the greater uptake of casual work can negatively impact the accumulation of superannuation overtime. While many carers may participate in paid employment, many may have to engage in casual work due to its flexible nature or to work within the conditions of their income support, i.e. the 25 hour work limitation on recipients of the Carer Payment.

To offset the disadvantages young carers' experience, particularly in the context of employment and long-term earning power, Carers NSW has advocated for a number of targeted vocational programs to provide more holistic support to young carers pursuing further education and employment,⁴³ particularly as young carers have been identified as being at a particularly high risk of long-term dependency on welfare.⁴⁴ While Carers NSW does not take any issue with young carers accessing income support, it is important that the Australian Government looks to implement meaningful and adequate supports to young carers to ensure they have long-term financial security. As such, it is important for the Consultation Paper to recognise young carers, and carers more broadly, as a cohort of people who need to be considered when assessing whether the current retirement system is equitable and delivering outcomes both before and in retirement for individuals in particular circumstances, like informal care.

Access to employment

While research indicates that approximately two-thirds of the 2.65 million carers in Australia are of working age, more than one in four are not in the labour force.⁴⁵ While caring can often impact a carer's individual ability to participate in paid employment, it is important to recognise that not only individual factors are involved; limited workplace flexibility, stigma and discrimination are significant barriers inhibiting many carers from entering or maintain paid employment. Inadequate replacement care, which is crucial in enabling many carers to work, as well as the financial and policy barriers to upskilling and limited tailored support to remain competitive in the job market also result in many carers reducing their engagement with paid work or exiting the workforce entirely.

Carers NSW has previously raised concerns regarding the level of inflexibility and lack of support many carers receive in their workplaces to effectively balance their caring role. While Australia has a strong labour rights framework that includes specific entitlements for all working carers - the right to

³⁹ Cass, B, Brennan, D, Thomson, C, Hill, T, Purcal, C, Hamilton, M, and Adamson, E (2011) *Young carers: Social policy impacts of the caring responsibilities of children and young adults*, Report prepared for ARC Linkage Partners, October 2011.

⁴⁰ The Treasury (2019), Retirement Income Review: Consultation paper, The Treasury: Canberra.

⁴¹ Brotherhood of St Laurence. (2019) 'Prosperity's children, youth unemployment in Australia. Available online at http://library.bsl.org.au/jspui/bitstream/1/11694/1/BSL_Prospertys_children_youth_unemployment_Dec2019.pdf. Last viewed 5 February 2020.

⁴² Bittman, M., Hill, R. and Thompson, C. (2007) 'The impact of caring on informal carers' employment, income and earnings: a longitudinal approach', *Australian Journal of Social Issues*, 42:2, pp. 252–272.

⁴³ Ibid

⁴⁴ Australian Government, Department of Social Services (2017) 30 June 2016 Valuation Report, available online at: <https://www.dss.gov.au/review-of-australias-welfare-system/australian-priority-investment-approach-to-welfare/2016-valuation-report>, last viewed 5 February 2020.

⁴⁵

access carers leave (paid and unpaid)⁴⁶ - and the right to request flexible working arrangements,⁴⁷ they are not without their limitations. Carers leave is generally taken out of an employee's personal leave balance, which also covers their sick leave, is limited and must be accrued over time, and employers are not compelled to approve requests for flexible working arrangements if they believe they are unviable on business grounds.⁴⁸ These constraints limit both the application and effectiveness of these rights in assisting carers to balance ongoing caring responsibilities with paid employment.

Greater awareness and inclusion of carers by employers is required in order to implement the kind of flexibility that will enable the many employees with caring responsibilities to maintain both roles effectively. Some industries and positions are more amenable to flexibility than others (hence the higher concentration of carers within certain industries),⁴⁹ and specific types of employers (such as large corporate and government agencies) are more likely to invest proactively and innovatively in flexibility and inclusion due to existing incentives and regulation

Additionally, carers are more likely to work in female dominated occupations and industries such as health and community services.⁵⁰ Such occupations and industries tend to be lower paid and highly casualised, which is often attributed to the flexible nature of such work,⁵¹ although are without the security of entitlements received through part-time or full-time employment. While this presents immediate financial challenges (as carers are more likely to live in low-income households), there are also long-term financial consequences of lower workforce participation, in particular, significant superannuation gaps. This is particularly the case for female carers, who are more likely to exit the workforce altogether compared to male carers.⁵²

Greater recognition and inclusion of carers in workplaces is necessary to improve the access carers have to employment, in turn improving their ability to plan for retirement, consideration must still be given to carers who will continue to have career breaks, work part-time and have lower lifetime earnings.

Initiatives such as the Carers + Employers program⁵³ support employers of all sizes and sectors to improve their support, retention and recruitment of carers in line with a strong business case. Further, an increasing focus on both workplace diversity and flexibility, in relation to a range of employee cohorts, holds broader benefits for working carers. Proponents of 'flexibility by design' suggest that it prevents the need to accommodate individual scenarios and instead recognises that all employees are likely to have some form of caring commitment outside of work at some stage.⁵⁴

⁴⁶ Fair Work Ombudsman (2019), *Sick and carers leave*, available online at: <https://www.fairwork.gov.au/leave/sick-and-carers-leave>, last viewed 2 December 2019.

⁴⁷ Fair Work Ombudsman (2019), *The right to request flexible working arrangements*, available online at: <https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/best-practice-guides/the-right-to-request-flexible-working-arrangements>, last viewed 2 December 2019.

⁴⁸ Zeppel, M., Hofstaetter, L., Graham, P. and Loh, S.M. (2019), 'More carers' leave may help Australians look after elderly parents and stay in work', *The Conversation*, 28 November 2019.

⁴⁹ Carers NSW (2018); Skinner, N., Pocock, B. (2014), *The Persistent Challenge: Living, Working and Caring in Australia in 2014. The Australian Work and Life Index 2014*. Centre for Work and Life, University of South Australia: Adelaide, p. 38.

⁵⁰ Australian Bureau of Statistics (2016); WGEA Data Explorer (2016), *Health Care and Social Assistance summary for 2015*, available online at: <http://data.wgea.gov.au/industries/7>, viewed 19 February 2018.

⁵¹ Australian Bureau of Statistics (2016); Finance and Public Administration References Committee (2017), *Gender segregation in the workplace and its impact on women's economic security*, Commonwealth of Australia, Canberra.

⁵² Durie, T. and Cavanough, E. (2017) *Guaranteeing Women's Super: How to close the gender gap in superannuation*, The McKell Institute, Sydney.

⁵³ Carers + Employers (2019), *Carers + Employers*, available at: <https://carersandemployers.org.au/>, last viewed 2 December 2019.

⁵⁴ Russell, G., O'Leary, J., Tilly, J., Brown, C. (2016), *Future-Flex: Mainstreaming Flexibility by Design: Redesigning work to make flexibility standard business practice in Australian retail workplaces*, Synopsis Report, Diversity Council Australia, available online at: <https://www.dca.org.au/files/file/Research/DCA%20Future%20Flex%20Synopsis%20Online%20Accessible.pdf>; viewed 17 October 2016.

Income support

Due to the time demands of caring, and the limitations of formal care services, many carers are simply unable to balance care with paid employment. Others do balance the two, but with difficulty; and still others choose to remain outside the workforce in order to dedicate their time and energy to the important role of caring for a loved one. As a result, overall labour force participation and total hours worked in the paid workforce are lower among carers than non-carers, resulting in lower income, savings, assets and superannuation, and consequently, a greater risk of financial hardship.⁵⁵

Carers who cannot remain in the workforce as a result of their caring role may need to access a range of income support, including the Carer Payment. While there are larger portion of carers than non-carers who rely on an income support payment as their main source of income,⁵⁶ not all carers are eligible for such payments.

In addition to the income and asset tests that determine eligibility for any income support payment, the carer-specific payments – the Carer Payment and Carer Allowance – have additional criteria, resulting in a relatively high eligibility threshold that excludes many carers, especially carers of people living with a mental illness. As a result, many carers requiring income support are directed to other payments such as the Newstart Allowance, which not only carries a lower rate, but also involves and emphasis on job seeking and mutual obligation that can fail to recognise, value and accommodate caring responsibilities as a form of unpaid work and additional barrier to employment.

In 2019 the Australian Council of Social Service (ACOSS) conducted a survey of Newstart and Youth allowance recipients⁵⁷ found that, of the 489 respondents, 84% skipped meals to save money, 66% did not use heating in winter, and more than half had less than \$100 left per week after housing costs. Data also revealed that financial pressure resulted in social isolation, restraints on transport, limited access to healthcare, and an impact on hygiene practices. For carers, who are already at high risk of financial hardship,⁵⁸ additional factors including the affordability of unsubsidised medical treatment, other medical needs and transport costs further compound financial issues.⁵⁹

Research indicates that Newstart is insufficient to cover the rising costs of food, healthcare, transport and housing; all of which are necessary to meet individual basic needs.⁶⁰ Newstart is therefore, at baseline, pushing individuals and families below the poverty line. Carers NSW has concerns that if a significant cohort of carers are accessing income support, particularly payments that have a lower rate, they will have greater difficulty accruing sufficient wealth and planning for a retirement that is to an appropriate standard, if at all.

Another challenge in relation to income support that warrants attention in this context is the ‘25 hour rule’, which causes a carer’s Carer Payment rate to be affected when they spend 25 hours or more per week in paid employment, formal education or volunteering, including travel. While the rationale behind tapering income support at this level of paid employment makes sense, this rule also unintentionally acts as a disincentive to carers improving their skills base (which can often be done largely from home

⁵⁵ ABS (2016); Carers NSW (2018).

⁵⁶ ABS (2016).

⁵⁷ Australian Council of Social Service (2019) *Raise the Rate* accessed online at <https://www.acoss.org.au/wp-content/uploads/2019/07/190729-Survey-of-people-on-Newstart-and-Youth-Allowance.pdf>

⁵⁸ Carers NSW (2018), Carers NSW 2018 Carer Survey: Summary Report, Carers NSW: North Sydney

⁵⁹ Carers Australia (2019), *Carers Australia calls on the Government to Raise the Rate*, [Media Release] 22 July 2019

⁶⁰ Saunders, P., & Bedford, M. (2017) *Budget Standards: A new healthy living minimum income standard for low-paid and unemployed Australians*: UNSW, accessed online at <https://www.sprc.unsw.edu.au/research/projects/a-new-healthy-living-minimum-income-standard-for-low-paid-and-unemployed-australians/>; Deloitte Access Economics (2018), *Analysis of the impact of raising benefit rates: Australian Council of Social Service*; St Vincent de Paul Society (2019), *Newstart not enough to give people a new start*, accessed online at https://www.vinnies.org.au/page/News/ACT/NEWSTART_NOT_ENOUGH_TO_GIVE_PEOPLE_A_NEW_START/

and balanced with caring duties via flexible learning) and from accepting employment opportunities that involve significant travel to supplement their income. Carers NSW has long advocated for this policy to be reviewed and revised to remove the penalty from carers for studying, volunteering and seeking paid work far from home in order to improve their employability and further their career. The implications of this, again, are far-reaching with carers stratified by limited job opportunities, the inability to improve and update their skillset, resulting in the uptake of or prolonged access to, income support.

The financial costs of caring

Caring comes with significant costs. In addition to limited opportunity to participate in the workforce and access associated earnings and employer superannuation contributions, carers face further costs which can limit their ability to save for retirement including health care, medicines, aids or equipment, home modifications, transport and formal community care costs or contributions. Carers may also have higher utilities or white goods costs due to additional laundry, heating or cooling necessary to meet their care recipient's needs. Furthermore, where care recipients receive income support payments, carers often provide financial support with accommodation, living and health care costs due to the inadequacy of payments.

For carers who are able to remain in or re-enter the workforce, they may face further costs of replacement care such as home-based or centre-based respite services, especially where subsidies are inadequate or limited supply or service quality necessitates the purchase of private services. Within the current aged care funding model, carers providing more intense levels of care are likely to have higher co-contribution costs for respite services. Carers have reported to Carers NSW that on transitioning from the base-level Commonwealth Home Support Program (CHSP) to a higher level of care through the Home Care Package (HCP), care co-contributions have increased ten-fold, going from \$8 to \$80 for one day of attendance at a day program.

Carers NSW has also heard of instances where carers may need to draw on their superannuation before their preservation age, due to financial hardship or on compassionate grounds. While carers may be granted early access to their super, lump sums still incur a taxation, greatly affecting the overall amount withdrawn. If carers are drawing on their superannuation at an earlier point because they cannot adequately meet the costs associated with caring, Carers NSW believes an exemption should be granted to ensure they are not unnecessarily disadvantaged using their super to meet basic everyday needs.

Recent reforms in the aged care, disability sector and mental health sector resulting in increased service gaps have seen greater pressure placed on carers to finance and accommodate costly assessments to access service systems or self-fund services and supports due to unclear funding boundaries, inadequate funding allocations or delays. However, although costs for carers have increased, there has been little increase in income support payments and workplace flexibility, making it increasingly difficult for carers to plan for the future.

“Financial hardship due to all the appointments that are in different towns... psychologist every 3 weeks is \$220, receive back \$86, no NDIS cover on this. Paediatrician every 3 months \$254, travel 4 hours each way. No NDIS cover...”

Carer Survey 2018
Respondent

Housing

The 2018 SDAC⁶¹ reported that approximately 36,000 carers live in State managed housing in NSW, with estimates drawing on administrative data from social housing being considerably higher.⁶² As noted, carers are more likely than non-carers to live in low income households and are more likely to be out of the workforce and reliant on Commonwealth income support, leading many to apply for social housing. However, less social housing overall and low levels of affordable housing stock, have seen an increase in low-income earners in the rental market, increasing competition for the limited, affordable rental properties available. Research indicates that 26% of carers living in the private rental market are in housing stress, spending more than 30% of their income on housing costs.⁶³ Carers in rental stress are unlikely to have capacity to make voluntary contributions to their retirement planning.

For those who have had the opportunity to enter home ownership, taking on a caring role later in life can impact on their long term financial security, as many are required to redraw on loans or access equity to meet urgent costs associated with caring. A number of carers have reported to Carers NSW that they have had to re-mortgage or sell their family home in order to meet costs of assessments, treatment, therapy or services due to administrative delays, service gaps or legal representation to pursue access to service systems. Carers re-mortgaging their homes to meet care costs are more likely to retire with a mortgage as the life of their loan has been extended. Those who have had to sell their family home and move back into the rental market to meet the cost of caring are also likely to face long-term accommodation instability and worse outcomes in retirement.

When Sonja received her son's first NDIS plan it was significantly underfunded, failing to meet the standard of support he required. Sonja appealed this decision and the matter was referred to the AAT. While waiting for the funding review, Sonja and her husband re-mortgaged their home to privately fund necessary therapy, supports and legal representation for the AAT review. In the lead up to the AAT hearing, the NDIA agreed to fund all therapies and supports requested moving forward however did not reimburse Sonja and her family for the incurred service or legal costs.*

**Name changed.*

AN ADEQUATE STANDARD OF LIVING

Measuring adequacy

Carers NSW agrees that what constitutes an 'adequate standard of living' will vary between individuals, based on their personal preference and circumstances, as well as their expenditure needs in retirement. While Carers NSW understands that adequacy is often measured in economic metrics, there are concerns that these measures do not necessarily capture adequacy effectively, particularly as many carers are disproportionately disadvantaged in retirement.

Carers NSW supports the recommendations made by the Australian Council of Social Services (ACOSS) in their recent Budget Submission, particularly their assertion that the retirement income should be supplemented by universal, good quality, affordable health, aged care and community services as well as housing that is both secure and affordable.⁶⁴ The recommendations provided by

⁶¹ Australian Bureau of Statistics. (2019). *Survey of Ageing, Disability and Carers 2018*. TableBuilder Dataset. Canberra: Australian Government. Online available under: www.abs.gov.au.

⁶² Carers NSW (2017), *Recognition as a tenant policy: Implications for carers*, Carers NSW, unpublished.

⁶³ Beer, A. and Faulkner, D. (2009), *The housing careers of people with a disability and carers of people with a disability*, Australian Housing and Urban Research Institute, Southern Research Centre; bid.

⁶⁴ Australian Council of Social Services (ACOSS) (2020). Budget Priorities Statement, Federal Budget 2019-20.

ACOSS in their submission align closely with Carers NSW and our belief that measures assessing adequacy should be more holistic, accounting for the carers' quality of life, their experience of financial hardship and the associated stressors, as well as their health and wellbeing.

Increasing cost of care

Current aged care reforms have continued to move towards increased co-contribution to aged care costs to enable sustainability of the sector. Whilst there are some concessions for those unable to meet costs, carers continue to report that the cost of services and supports place them under immense financial strain.

Carers who are ageing themselves have also reported that their caring role does not end when their care recipient enters residential aged care, however, at that point they are no longer eligible for the Carer Pension or associated payments. Furthermore, up to 85% of their care recipient's income may be partially redirected to meet the basic daily fee for residential aged care. Carers have reported that this sudden reduction of income can impact on their ability to meet accommodation payments or meet their cost of living, with many having to move into alternate, less secure housing arrangements.

Any measure of adequacy will need to consider and be reviewed in light of ongoing aged care reform and any subsequent increase to co-contributions for care costs. Additionally, further provisions should ensure adequacy of support for carers who are continuing to care for their spouse who has been required to enter residential care. This will ensure that carers are able to access the support they require to continue to provide care without placing themselves in increased financial hardship.

When Ellen's* husband Alec, who is living with dementia, entered residential aged care permanently, Ellen was no longer eligible for the Carer Pension and had to apply for the much lower Newstart Allowance. Additionally, a majority of Alec's pension was allocated to his aged care costs. Ellen was unable to return to employment as the residential aged care facility continued to contact Ellen to request her to attend the facility to support with Alec's behaviours of concern. Due to the significant reduction in income, Ellen was no longer able to remain in her home as she could not meet her accommodation costs, and as such has temporarily moved in with a family member.

**Name changed.*

Increasing cost of living

Carers NSW has previously raised the inadequacy of social security payments in Australia through recent inquiries.⁶⁵ For those who have been unable to actively save for retirement due to their caring role, many rely on the age pension and associated payments. However, as highlighted by a report by the Benevolent Society, the current rate of the age pension is inadequate in the context of the rising cost of living resulting a number of people who are ageing or frail being unable to meet their basic needs.⁶⁶

As highlighted by the Consultation Paper⁶⁷, those who enter retirement owning their own home have much lower rates of financial hardship than those renting. The financial benefits of home ownership can

⁶⁵ Carers NSW (2019), Carers NSW submission to the Senate Standing Committee on Community Affairs inquiry into the adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia, available online at: <http://www.carersnsw.org.au/Assets/Files/Carers%20NSW%20Newstart%20and%20Income%20Support%20Submission.pdf>, viewed 03 January 2020

⁶⁶ Benevolent Society (2016), The Adequacy of the Age Pension in Australia: An assessment of pensioner living standards, available online at: https://percapita.org.au/wp-content/uploads/2018/05/Pension-Adequacy_Final.pdf, viewed 30 January 2020.

⁶⁷ The Treasury (2019), Retirement Income Review: Consultation paper, The Treasury: Canberra.

well exceed the financial support available to renters. While Carers NSW acknowledges that carers have higher rates of home ownership than non-carers,⁶⁸ in order to ensure equity, it is important that there is adequate support either financially or through the provision of social housing for those who have been unable to enter or forced to exit the housing market due to their caring role.

For carers or former carers who are in the private rental market in retirement due to lack of appropriate affordable housing options, the maximum rate of Commonwealth Rental Assistance (CRA) is \$90 per week, however the median rent in Australia is \$436 per week.⁶⁹ The most recent Report on Government Services found that over 40% of people receiving Commonwealth Rent Assistance (CRA) were in rental stress and one in eight spent more than half of their income on rent.⁷⁰ With carers already facing higher costs associated with their caring role, Carers NSW recommends greater support with accommodation payments to enable ongoing housing security for carers and their care recipients.

Carers who do not own a home are further disadvantaged by schemes such as the Pension Loans Scheme (PLS). The PLS allows those who own their own home to access loans from the Commonwealth, using their home as collateral. Additionally, some home owners are able to redraw equity from their homes where needed. Some carers have reported to Carers NSW that an inability to access loans from the government or other financial institutions in retirement has meant that they have had insufficient finances to maintain or purchase a new car or cover unplanned expenses. Carers NSW recommends the inclusion of a loan scheme for carers who have been unable to enter the housing market due to their caring role to ensure that they are adequately supported to meet their living costs.

Sally, an ageing carer who lives in a regional area and receives the Age Pension cannot get a loan to buy a car or fix her broken couch.*

**Name changed.*

While some home owners may be at an advantage in retirement, a recent study found that many home owners report concerns about financial insecurity into the future due to insufficiency of support payments and current and future care costs.⁷¹ As highlighted by the consultation paper, increasing numbers of people are entering retirement with an outstanding mortgage.

For carers entering retirement with a mortgage, inability to access Commonwealth Rental Assistance (CRA) to help them to meet their accommodation payments may perpetuate their financial hardship into retirement. At current, there is no equivalent payment or allowance to assist those not in employment due to caring responsibilities to meet ongoing mortgage costs and carers have reported to Carers NSW that this has placed them at risk of housing insecurity or homelessness. Carers NSW recommends consideration of ongoing home repayments in retirement to ensure the adequacy of support payments.

CONCLUSION

Carers NSW supports the current attention on improving the equity and adequacy of retirement incomes among vulnerable groups, and wishes to emphasise the particular importance of addressing key barriers that carers experience to accruing savings and superannuation. Carers NSW urges the review to reflect the disadvantage and support needs associated with caring for a family member or friend.

⁶⁸ ABS (2019)

⁶⁹ Productivity Commission (2019), Report on Government Services: G Housing and Homelessness, Productivity Commission: Canberra.

⁷⁰ *ibid*

⁷¹ Per Capita (2019), Mutual Appreciation: A social innovation think piece, available online at: https://percapita.org.au/wp-content/uploads/2019/09/Mutual-Appreciation_formFINAL.pdf, viewed 03 January 2020.