



**Senate Education, Employment and Workplace Relations  
References Committee**

Inquiry into the adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market

**Submission from Carers Australia  
August 2012**

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Carers Australia acknowledges the input made to this submission by state and territory Carers Associations.

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## Summary

This submission is made by Carers Australia, the peak body representing those Australians who provide unpaid care and support to family, friends and others in our community.

The allowance rate of income support is of critical concern to a considerable group of carers. While many carers receive a pension rate of assistance through Carer Payment or through other pensions, many others are not eligible for this rate of assistance, but rather rely upon Newstart or other allowances for support while undertaking their caring responsibilities. In addition many carers, independent of their own circumstances, live in households where an allowance rate of income support is part of the household income. This is one of the factors linked to the low income and financial stress so many carers experience. Further, in those cases where a carer ceases caring, very frequently due to the death of the person they have been caring for, or because the person moves to residential care, many carers lose their entitlement to their former income support and find themselves on an allowance payment.

In each of these cases we believe that the rate at which allowances are paid is manifestly inadequate, we further believe that there is little justification for these allowances not to be paid at the same rate as pensions. In recent inquiries (Henry and Harmer) the primary argument for a differential would appear to be the expectation that those on allowances will be able to support themselves in the workforce in the near future.

This assumption is not valid for a high proportion of carers. Even if not caring full-time the demands of caring severely limit the capacity of many carers to undertake substantial and sustained employment, while those attempting to enter the job market face many barriers including low levels of work experience, education and training, frequently as a consequence of their caring.

We make 9 recommendations to the Committee:

### **Recommendation 1:**

There is a clear need for more data and research to enable evidence based policy development and to enable community based organisations and others to participate in this process. The Australian government should undertake to make administrative data, including longitudinal data on groups of clients, available on a timely basis and accessible (with appropriate privacy and related protection) for research and analysis. It should increase the level of funding for research, both directly commissioned or undertaken by agencies, and for that undertaken by community based and other organisations.

### **Recommendation 2:**

The allowance system, and the income support system as a whole, should take greater account of the caring role. Caring should be clearly identified as an activity under activity tests, and an offset in areas such as hours of study or people's assessed work capacity.

**Recommendation 3:**

(a) If allowances are not raised to wholly match the pension level then there should be transitional arrangements where any transition from a pension to a non pension payment is graduated over a year.

(b) There should be specific access to appropriate education and training, as well as potentially employment subsidies to assist those carers capable of re-entering the workforce to develop the skills and experience they need to do so.

(c) Participation requirements for carers facing such transitions should be similarly graduated over time to allow for adequate readjustment, and should take full account of any ongoing caring needs, in particular where the person being cared for has moved into residential care

**Recommendation 4:**

The rate of payment of income support allowances (for adults) should be raised to the pension level. This should apply for both couples and singles.

**Recommendation 5:**

Approaches to boosting labour force participation by carers and former carers should not be based upon arguments of financial incentives, and implemented through the payment system – but rather should be achieved through investing in training, education and employment support.

**Recommendation 6:**

Where a young carer is eligible for an allowance payment, this payment should be made at the full adult rate.

**Recommendation 7:**

The rate of Rent Assistance should be increased to provide greater equity between income support recipients, including those receiving allowances in different housing tenures and to address the very poor outcomes for carers and others associated with meeting high private rent costs.

**Recommendation 8:**

Allowances and supplementary payments, other than Rent Assistance, should be indexed on the same basis as pensions to ensure that all Australians can share in increasing living standards and to avoid the re-opening of gaps between payments. Rent Assistance should be indexed along the lines proposed by the Henry Review.

**Recommendation 9:**

The role and adequacy of Carer Allowance should be reviewed with particular attention being placed on ensuring that the payment recognises the high costs of caring, both directly including the costs of disability which are often offset by carers from Carer Allowance, and the indirect costs including the extent to which many are forced to forgo retirement savings.

While it is recognised that some of these aspects may be affected by the NDIS, it should not be used as reason for the continued neglect of this issue.

## Table of contents

Summary.....	i
Table of contents .....	iii
Tables .....	iv
Figures.....	iv
Boxes .....	v
1 Background.....	1
1.1 Carers Australia.....	1
1.2 About carers .....	1
1.3 Carer Recognition Act.....	2
1.4 Focus of submission .....	2
1.5 The National Disability Insurance Scheme (NDIS) .....	3
1.6 Need for better data and research.....	4
2 Carers and the income support system.....	6
2.1 Carer Payment and Carer Allowance.....	6
2.2 Carers and the allowance system .....	8
2.2.1 Carers in receipt of allowances.....	8
2.2.2 Other people in the household on allowances .....	8
2.2.3 Transitions.....	9
2.2.4 Changes in the level of care or circumstances of carer/care recipient.....	10
2.3 Use of income support by carers.....	10
2.4 Summary: carers and the allowance system .....	11
3 Outcomes for carers .....	13
3.1 The financial circumstances of carers .....	13
3.1.1 Household income.....	13
3.1.2 Financial stress .....	14
3.2 Health and wellbeing .....	16
3.3 Labour market outcomes for carers.....	17
3.4 Summary of outcomes.....	19
4 Impact of transitions.....	20
4.1 Financial impact of transitions.....	20
4.2 Carers' experiences of the transition .....	21
4.3 Impact of transitions .....	22

5	Adequacy of allowances.....	23
5.1	The rate of allowances.....	23
5.2	Allowance rate impacts on carers .....	25
5.3	At what rate should allowances be set.....	25
5.3.1	Previous considerations.....	25
5.4	Addressing the Henry approach .....	26
5.4.1	Duration of receipt of allowances .....	26
5.4.2	Incentives and the rate of allowances.....	27
5.4.3	Carers and labour market disadvantage .....	28
5.4.4	The payment rate of allowances - summary .....	29
5.5	Age specific rates of allowance .....	30
5.6	Rent assistance .....	31
5.7	Indexation .....	31
6	Carer Allowance.....	33
	Attachment A: HILDA data .....	35
	References.....	37

## Tables

Table 1	Exits from Carer Payment 2008.....	9
Table 2	HILDA, 2009, Carers by type of income support received.....	11
Table 3	HILDA 2009, distribution of the working age population by household income decile, caring and income support payment status.....	14
Table 4	HILDA 2009, working age population, incidence of financial stress by caring and income support payment status.....	15
Table 5	SDAC, Labour force status of carers aged 15-64 years, 2009 .....	18
Table 6	HILDA 2009, working age population, highest level of educational attainment by caring and income support payment status.....	18
Table 7	Rates of income support 1 July – 19 September 2012 .....	24

## Figures

Figure 1	HILDA 2009, working age population, incidence of hardship by caring and income support payment status.....	16
Figure 2	HILDA 2009, working age carers, Kessler Psychological Distress Scale, incidence of high and very high risk categories by income support payment status.....	17
Figure 3	Real value of pensions and allowances 1970 to 2012.....	23

## Boxes

Box 1	The Statement for Australia’s Carers.....	2
Box 2	Committee Terms of Reference.....	3
Box 3	Carer Payment.....	6
Box 4	Carer Allowance .....	7
Box 5	Examples of household income loss associated with transitions from caring.....	20
Box 6	How carers experience the transition.....	21





# 1 Background

## 1.1 Carers Australia

Carers Australia is the national peak body representing the diversity of Australians who provide unpaid care and support to family members and friends with a disability, mental illness, chronic condition or terminal illness or who are frail aged. Carers Australia's members are the eight state and territory Carers Associations.

Our Strategic Plan 2009-2012 has a vision that 'caring is accepted as a shared community responsibility' and a mission 'to lead change and action with and for carers.' Carers Australia advocates on behalf of Australia's carers to influence policies, programs and services at a national level and it does so in collaboration with the Carers Associations.

Carers Australia believes that all carers should have the same rights, choices and opportunities as other Australians. Carers should be able to enjoy optimal health, social and economic wellbeing and to participate in family, social and community life, employment and education.

## 1.2 About carers

In the 2009 Survey of Disability and Ageing (SDAC) (ABS 2012a) the ABS identified over 2.6 million people in Australia who provide unpaid, informal care to family members or friends who are frail aged, have a long-term health condition, or a physical or mental disability<sup>1</sup>.

Research undertaken by Access Economics (2010) estimated that informal carers provided some 1.32 billion hours of care in 2010. Using a conservative estimate they placed the economic value of this informal care at \$6.5 billion, and estimated that the value of replacing such care with formal provision at some \$40.9 billion.

Of the carers identified in the SDAC 1,948,183 were estimated to be aged 15 to 64 years of age, comprising 552,019 primary carers and 1,396,164 other carers. Fifty eight per cent of these carers were women, with this proportion increasing to 71.8 per cent of those who were primary carers. Primary carers were most frequently looking after their partner (34.1 per cent), followed by a parent (27.4 per cent), a child (27.2 per cent) or another relative, friend or neighbour (11.4 per cent).

A central challenge for these workforce age carers is that of seeking to balance their caring responsibilities with their employment and other responsibilities. Depending on the duration, timing and intensity of the care which they provide, many carers need to modify their working patterns and/or reduce the amount of time they devote to work. In many cases their caring responsibility leads them to withdraw from the labour force, either because of a total inability to engage in employment, or because they cannot find jobs which provide them with the amount of flexibility they require to be able to meet their caring responsibilities.

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<sup>1</sup> Estimates of the number of carers in Australia vary because of the different definitions of caring used and the different strategies adopted to identify carers.

### 1.3 Carer Recognition Act

The Australian Parliament has acknowledged the vital role of carers in Australia and the level of recognition they deserve in the *Carer Recognition Act 2010*. While not establishing specific legal rights, the Act enunciates clear principles which are set out in 'The Statement for Australian Carers' in Schedule 1 of the Act, see Box 1 .

#### **Box 1      The Statement for Australia's Carers**

1. All carers should have the same rights, choices and opportunities as other Australians, regardless of age, race, sex, disability, sexuality, religious or political beliefs, Aboriginal or Torres Strait Islander heritage, cultural or linguistic differences, socioeconomic status or locality.
2. Children and young people who are carers should have the same rights as all children and young people and should be supported to reach their full potential.
3. The valuable social and economic contribution that carers make to society should be recognised and supported.
4. Carers should be supported to enjoy optimum health and social wellbeing and to participate in family, social and community life.
5. Carers should be acknowledged as individuals with their own needs within and beyond the caring role.
6. The relationship between carers and the persons for whom they care should be recognised and respected.
7. Carers should be considered as partners with other care providers in the provision of care, acknowledging the unique knowledge and experience of carers.
8. Carers should be treated with dignity and respect.
9. Carers should be supported to achieve greater economic wellbeing and sustainability and, where appropriate, should have opportunities to participate in employment and education.
10. Support for carers should be timely, responsive, appropriate and accessible.

These principles, including with regard to the provision of support to enable carers to achieve social wellbeing, to participate in all aspects of social and community life, to achieve economic wellbeing and the appropriateness and responsiveness of support underlie our submission on the adequacy of the allowance payment system.

### 1.4 Focus of submission

In this submission we primarily focus on Terms of Reference (see Box 2 ) (a), (b)(ii)&(iii). These encompass the adequacy of the payments, especially Newstart, and the impact of the allowance system on transitions. With regard to this latter a central concern is the transition between caring and working.

In addressing the issue of adequacy of allowances the focus of the first part of the submission is on the adequacy of allowance income support payments and the second part is concerned with the adequacy of Carer Allowance as a supplementary payment.

## Box 2 Committee Terms of Reference

The adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market.

- (a) the adequacy of the allowance payment system for jobseekers and others, with particular reference to the adequacy of the Newstart Allowance payment as an income support payment for jobseekers and the adequacy of all other allowance payments that support a range of recipients who study or provide care;
- (b) the appropriateness of the allowance payment system as a support into work, with particular reference to:
  - (i) the effectiveness of the payment as an incentive into work,
  - (ii) the effectiveness of the allowance payment system in facilitating transitions between working and other activities, such as studying, caring and retirement, or in the event of illness or disability, and in helping or hindering recipients to overcome barriers to employment, and
  - (iii) the impact of the differences between pensions and allowances on the transition between working and other activities; and
- (c) the impact of the changing nature of the labour market, particularly the rise of insecure work and decline of unskilled jobs, on the:
  - (i) nature and frequency of individual interaction with the allowance payment system, and
  - (ii) over and underpayment of allowances to recipients.

## 1.5 The National Disability Insurance Scheme (NDIS)

In the 2012-13 Budget the Australian Government announced a \$1 billion roll-out of the first phase of the NDIS which is to commence in mid 2013. This follows from the 2011 Productivity Committee Report, and the declaration on 19 August 2011 by the Council of Australian Governments (COAG), which welcomed the PC's report and agreed on the need for major reform of disability services in Australia through an NDIS.

Carers Australia strongly supports the introduction of the NDIS and believes that the full implementation of the scheme will radically transform the lives of people with disabilities and their carers. At the same time it is important, again in the context of the matters being considered by the Committee, to recognise that the NDIS will not be the panacea to all of the many problems faced by carers, and not all people with a need for care will be encompassed by the program. Further, even if fully implemented the scheme is not previewed to be fully rolled-out until 2018-2019.

Hence while some of the issues discussed in this submission may be impacted on by the roll-out of the NDIS, it is not appropriate for the current needs of carers, and for the needs of those carers who provide care to those outside the scope of the NDIS and associated reforms, to be put aside on the basis that they will potentially be addressed at some point in the future through the NDIS.

## 1.6 Need for better data and research

Carers Australia is firmly committed to the principle of evidence based policy. In this submission we have drawn extensively upon research which we and others have undertaken. While we believe we have provided a substantive case, in the preparation of this submission we were struck by the inadequacy of current data and research on these issues coming from the Australian government.

Specific issues include:

- While FaHCSIA and other departments have substantial administrative data collections very little of this is published. For example the Department provides no published tables on the receipt of Carer Allowance by type of pension and allowance – an issue of direct relevance to this inquiry. Even when data are published, it is only annual and is typically published with a delay of a year or more.<sup>2</sup> Although the Department has the ability to produce longitudinal data which would have permitted a more thorough analysis of the duration of caring and transitions between Pensions and Allowances we understand that this has been permitted to lapse (or at least has not been produced for some years). Similarly although it at one time produced a matched carer and care recipient longitudinal dataset, this only ran for 5 years up until 2006. Even when such datasets are produced, for example the DEEWR 'RED' and 'Blue Book', access to these by external researchers can be very difficult.
- The level of support by government for undertaking research into these areas, while traditionally quite low, has further reduced over recent years<sup>3</sup>.
- There is relatively little analysis available of the actual living standards of carers. This is critical to considering the adequacy of payments.
- ABS classifications of income support payments do not usually provide a clear divide between persons in receipt of pension and allowance type payments.
- Inconsistent data across surveys on caring makes it difficult to draw conclusions across datasets.

These, and related issues are critical to the development of social policy in Australia, and to the ability of organisations such as ours to effectively participate in public policy discussions and to be able to inform inquiries such as this.

These problems have been recognised in the past, for example by the 2009 House of Representatives Standing Committee on Family, Community, Housing and Youth, *Who Cares ...? Report on the inquiry into better support for carers*, (HOR 2009) which contains a section on "The need for improved data and Forward Planning and recommending the collection of "nationally consistent data to more accurately determine the number of carers, their profile" (p 187) and improving the quality of data collected by the ABS in the Survey of Disability and Ageing (p 26).

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<sup>2</sup> For example Statistical Paper No. 10 Income support customers: a statistical overview 2011 (FaHCSIA 2012), the main source of data on income support recipients, while presenting data for June 2011 was not published by the department until late July 2012

<sup>3</sup> We acknowledge that FaHCSIA continues to provide strong support for data collections such as HILDA, LSIC and LSAC, as well as supporting evaluation. However the level of support for primary research appears to have declined. In addition while they have sought to publish some material such as a "National Carer Strategy Evidence Base" (FaHCSIA 2001 1) this contains little information not already in the public domain.

#### Recommendation 1:

There is a clear need for more data and research to enable evidence based policy development and to enable community based organisations and others to participate in this process. The Australian government should undertake to make administrative data, including longitudinal data on groups of clients, available on a timely basis and accessible (with appropriate privacy and related protection) for research and analysis. It should increase the level of funding for research, both directly commissioned or undertaken by agencies, and for that undertaken by community based and other organisations.

## 2 Carers and the income support system

The diversity of circumstances of carers leads to many different interactions between carers and the income support system. While some carers rely upon income support, others combine caring with employment, while others are supported by their families.

Two specific components of the transfer system are particularly directed at carers, these are Carer Payment and Carer Allowance. These are considered in section 2.1, with interactions with the allowance system being dealt with in section 2.2. Section 2.3 provides some details on the use of income support by carers

### 2.1 Carer Payment and Carer Allowance

Carer Payment is an income support payment, made at the pension rate, to carers who provide “constant daily care”. The main criteria for the payment are detailed in Box 3

#### **Box 3 Carer Payment**

##### Carer Payment (caring for a person 16 years or over)

You may be eligible for Carer Payment (caring for a person 16 years or over) if you provide constant daily care in the home of the person you care for and he or she:

- is aged 16 or more with a severe disability or medical condition or is frail aged, or
- is aged 16 or more with moderate care needs and has a dependent child who either is under six or is aged 6–16 and eligible for Carer Allowance.

The person you care for must also either:

- receive an income-support payment from us or from the Department of Veterans’ Affairs,
- be unable to receive an income-support payment from us or the Department of Veterans’ Affairs because they have not lived in Australia long enough to be eligible, or
- meet the care-receiver income and assets tests.

##### Carer Payment (caring for a child under 16 years)

You may be eligible for Carer Payment (caring for a child under 16 years) if you provide constant daily care in the home of the child you care for, and he or she is:

- a single child aged under 16 years with a severe disability or severe medical condition,
- one of two to four children under 16 with a disability or medical condition whose combined care needs are equal to that of a single child aged under 16 with a severe disability or severe medical condition,
- one of one or two children and an adult who each have a disability or medical condition, whose combined care needs are equal to that of a single child with a severe disability or severe medical condition, or
- one of two or more children under 16 who individually or combined have a severe disability or severe medical condition in an exchanged-care arrangement (see below).

Carer Payment is generally paid if a child requires care for six months or more. However, it can also be paid if a significant level of care for a child is required on a short-term or episodic basis for a period of three to six months.

DHS 2012a

Given the requirement for a carer to provide 'constant daily care', Carer Payment is only available to those carers who provide a very high level of care, and whose care recipients meet the specific requirements with regard to their own eligibility for income support.

Notwithstanding these limitations, the number of people receiving the payment has grown rapidly. Whereas there were only 10,161 recipients in June 1991, this had increased to 47,190 in June 2001 and to 186,065 in June 2011. 69.1 per cent of recipients were women and 89.3 per cent were aged under 65 years of age. The average duration of receiving Carer Payment was 236.6 weeks for men and 222.5 weeks for women. The largest single group of carers were those who had been caring for between five and ten years. (FaHCSIA 2012)

Carer Allowance is a supplementary payment made to carers regardless of their own financial position. The criteria for the program are detailed in Box 4 The payment is made at a rate of \$57 per week with the carer also being potentially eligible for an annual Carer Supplement of \$600 for each eligible person in their care.

#### **Box 4 Carer Allowance**

##### Carer Allowance (caring for a person 16 years or over)

You may receive Carer Allowance (caring for a person 16 years or over) if you:

- are looking after a person aged 16 or more who has a disability or medical condition or is frail aged and needs additional care and attention on a daily basis and
- provide the care for that person in either your home or that person's home.

##### Carer Allowance (caring for a child under 16 years)

You may receive Carer Allowance (caring for a child under 16 years) if:

- you look after a child with a disability or medical condition who needs additional care and attention on a daily basis or
- care for two children with disabilities and the children do not individually qualify you for Carer Allowance (child) but together create a substantial caring responsibility and
- you live with the child (or children) you are caring for.

Note: If you qualify for Carer Payment (caring for a child under 16 years), you will generally receive Carer Allowance automatically.

DHS 2012b

Carer Allowance is not designed to be income support but rather is made in recognition of the caring role. The Harmer Pension Review (Harmer 2009) notes that "While it is not intended to cover the costs of caring for someone with a disability, the consultations indicated that Carer Allowance is frequently used to meet the costs associated with the needs of the person being cared for."

As with Carer Payment there has been rapid growth in those receiving Carer Allowance with numbers rising from 42,405 in June 1991 to 235,041 in June 2001 and 521,033 in June 2011. While a considerable number of the carers in receipt of this payment are on the Age Pension (37.4 per cent are aged over 60 years of age), and others will be on the Disability Support Pension or Parenting Payment Single with a young child, nevertheless the number of carers in receipt of Carer Allowance who are not on Carer Payment highlights the extent to which Carer Payment is only received by a proportion of those who provide care. The average duration of receipt of Carer Allowance is 242.2 weeks. (FaHSCIA 2012)

## 2.2 Carers and the allowance system

From the perspective of this inquiry there are four major sources of interaction between carers and the allowance income support system. These are considered below:

### 2.2.1 Carers in receipt of allowances

As detailed above, specific income support is only available to carers in the circumstances where they provide constant daily care to specific groups of children or adults who are in receipt of an income support payment<sup>4</sup>. Other carers who need income support are required to apply for other payments and meet the specific eligibility requirement of these payments – without account being taken of their caring responsibilities.

As a consequence many carers receive income support through different payments, including allowances, in particular Newstart Allowance, but also Parenting Payment Partnered, Youth Allowance and other payments. As discussed in section 2.3 we estimate, from the HILDA survey<sup>5</sup>, that there are some 77,994 carers who receive an allowance payment (other than Carer Allowance), with 17,887 of these being on Newstart.

In these circumstances carers find themselves with dual obligations; firstly to provide care to the person they are caring for, and at the same time to meet the obligations that are imposed on them by the particular payment they are on. In the case of Newstart, as well as Youth Allowance (unemployed), Parenting Payment or Special Benefit (nominated visa holder), this involves a person having an Employment Pathway Plan (EPP). While there are a list of activities which a delegate may consider as being suitable for this plan including undertaking a specified number of job searches and engaging in education and voluntary work (Australian Government 2012 Section 3.2.9.10), the provision of caring is not one of the specified criteria. Certain temporary exemptions can however be given for caring. These include exemptions of up to 12 months for people caring for a child with a disability and up to 16 weeks for caring for a frail, aged or disabled adult family member or for a child or family member who has a temporary illness or injury. (National Welfare Rights 2010). We are not aware of any data on the use of these provisions.

### 2.2.2 Other people in the household on allowances

Most carers live in households with other people. In many cases these may also be in receipt of income support. Regardless of the source of income of the carer themselves this has strong implications for the economic wellbeing of the carer. To the extent that the allowances paid to these others fail to adequately meet their costs, it means that the carer, in addition to their caring task is often called upon to effectively support these others, as well as meeting the additional costs associated with the person for whom they are caring.

We estimate from the HILDA survey that in 2009, in addition to those carers who are on an allowance themselves, there were some 66,292 carers living in households where at least one person was in receipt of an allowance payment. The low level at which these payments are made is one of the significant factors which contributes to the low level of economic wellbeing of carers in Australia.

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<sup>4</sup> As noted there are some exceptions to this, largely associated with people who fail to meet the residency requirement to receive income support in their own right.

<sup>5</sup> See Appendix A with regard to the HILDA data used in this report.



### 2.2.3 Transitions

Transitions from caring to non-caring may result in a person moving off the pension rate Carer Payment onto an allowance based payment such as Newstart. Such transitions, while at times reflecting episodic care, frequently occur upon the death of the person being cared for, the person requiring more intensive residential care, or simply the inability of the carer to keep being able to provide care – at times because of the stress and physical effort involved. Clearly in such cases the carer is already facing a traumatic experience, made more complex by a loss of income and the imposition of obligations through activity testing which they are frequently poorly equipped to meet.

Data published in the Henry Review (2009), (see Table 1 ) shows that 29.8 per cent of exits from Carer Payment were to lesser paying income support payments. The Review noted that “The death of the person being cared for can result in a large drop in income. For example, in 2008 some 6,300 people (or nearly 5 per cent of people on Carer Payment) moved from Carer Payment to Newstart Allowance.” (p 504)

**Table 1 Exits from Carer Payment 2008**

	Persons (a)	Proportion - % -
Austudy	100	0.4
Newstart	6,300	26.8
Parenting Payment Partnered	300	1.3
Youth Allowance - Other	200	0.9
Youth Allowance - Student	100	0.4
<i>Sub-total: Moving to lower paid benefits</i>	<i>7,000</i>	<i>29.8</i>
Disability Support Pension	1,500	6.4
Other	1,300	5.5
Parenting Payment Single	900	3.8
Age Pension	3,500	14.9
Off Payment	9,400	40.0
<b>Total</b>	<b>23,500</b>	<b>100.0</b>

(a) Rounded to nearest 100  
Source: Henry (2009b) Table F1-3.

The loss of income associated with such transitions can be large. In the case of a single person say looking after a parent who had died, or had to move into residential care, they, as detailed in Chapter 4, would face a loss of \$579 per week in household income from income support including the loss of Carer Allowance and Carer Supplement. This is a loss of 70.3 per cent of the income the household previously had. In the case of a person who was looking after a partner who was in receipt of Disability Support Pension the loss in household income would be \$393 per week – 61.6 per cent of the household income. While there would be some reduction in the cost of living in such a situation, this is a very heavy financial loss to sustain – especially as the person may well be having to face the grief of the loss of a partner.

Exacerbating this immediate loss, many carers then face a major struggle if they seek to re-enter employment, often at an advanced age and after many years out of the workforce.

#### 2.2.4 Changes in the level of care or circumstances of carer/care recipient

The structure of income support including access to Carer Payment, and indeed other pension level payments such as Disability Support Pension and Parenting Payment Single is based on categories. This, while providing for administrative simplicity, does not reflect the real life circumstances of individuals. In contrast to the implicit foundation of the income support system that people 'fall into one box or another', the reality is that there is a continuous distribution of capacity to work and level of caring across the population and the income support system in fact uses arbitrary cut-off points in this distribution.

A result of this is that minor changes in the level of care needed by a person can result in their carer either being deemed to be eligible for assistance or not. In particular such a change in the level of care need, or for example in the assessment of the carer's own disability, can result in a person being reassessed as being only eligible for an allowance level payment rather than a pension.

Furthermore these assessments are primarily uni-dimensional. An assessment of the eligibility of a person for a Disability Support Pension is simply based on the level of disability of the person, while that for Carer Payment is based on the level of care provided, and no attempt is made within the system to take account of the combined impact of these two factors. While again this makes for simple administrative systems, it is at the expense of many individuals whose circumstances are not being fully taken into account.

This problem was recognised in the work of the Reference Group on Welfare Reform which noted in their interim report: "The current rigid categorical array of pensions and allowances for people of workforce age is overly complex and relies heavily upon presumptions about capacity for participation within particular groups of people rather than recognising the diversity of each individual's capacity and circumstance" (McClure 2000a p 10). The report recommended that in addition to some short term changes in the medium to long term that the government should "Implement, in managed stages, an integrated payment system, which provides adequate income support and incentives for participation including: A common base payment for all eligible persons; Needs based additional payments (according to different family circumstances, costs of disability etc.); and Participation supplements to assist with the cost of achieving economic participation." (McClure 2000b p 24)

### 2.3 Use of income support by carers

Data from Hilda Wave 9 estimates that there are some 1.33 million carers in Australia. Table 2 presents the income support details for these, where this is available. This indicates that some 77,994 of these who are aged 15-64 years receive allowances, including Austudy, with 17,887 being in receipt of Newstart.

**Table 2 HILDA, 2009, Carers by type of income support received**

	Not a carer	Carer	Total	Prop of carers - % -	Prop of payment - % -
Aged 15-64 years					
Newstart	427,230	17,887	445,117	1.7	4.0
Sickness	15,650	0	15,650	0.0	0.0
Youth Allowance	341,016	19,212	360,228	1.8	5.3
Austudy	64,998	2,079	67,077	0.2	3.1
Special Benefit	13,783	4,530	18,313	0.4	24.7
MAA/Partner	38,422	14,931	53,353	1.4	28.0
PPP	117,693	19,355	137,048	1.9	14.1
<i>Sub-total Allowances</i>	<i>1,018,792</i>	<i>77,994</i>	<i>1,096,786</i>	<i>7.5</i>	<i>7.1</i>
PPS	267,549	31,338	298,887	3.0	10.5
Carer Payment	29,837	214,369	244,206	20.6	87.8
DSP	629,206	77,362	706,568	7.4	10.9
Age	68,145	6,836	74,981	0.7	9.1
Other	315,505	85,306	400,811	8.2	21.3
None	11,329,005	548,724	11,877,729	52.7	4.6
<b>Total</b>	<b>13,658,039</b>	<b>1,041,929</b>	<b>14,699,968</b>	<b>100.0</b>	<b>7.1</b>
Aged 65 years and over					
Income support	1,944,319	251,356	2,195,675		
No income support	434,247	38,094	472,341		
Total population					
Persons	15,602,358	1,293,285	16,895,643		

Note: Due to missing values which are not shown in the table figures quoted from the HILDA data are not consistent across tables. See Appendix A for further details.

As illustrated this data suggests that some 7.5 per cent of all carers aged 15-64 years are on an allowance payment and that these represent 7.1 per cent of those receiving an allowance, but this proportion varies considerably between payment types.

Of the 1.015 million households in which they live 117,700 receive some of their income from allowances, including 38,311 where there is at least one person in receipt of Newstart.

## 2.4 Summary: carers and the allowance system

The categorical approach of the income support system, while permitting administrative simplicity, does so at the expense of taking account of the diversity of circumstances of those who require support.

This problem is particularly acute for carers. While Carer Payment provides support for a group of carers who provide continuous support to the person(s) they care for, many carers, although having onerous caring responsibilities, and often living with their own disabilities, are not eligible for this payment, but rather are required to rely upon the allowance system.

In addition to the question of the rate at which allowances are paid, Carers Australia believes that the allowance system requires urgent reform to address the needs and circumstances of carers. In the long run we consider that this would require a systematic

reform of the whole income support system to build in a capacity to respond flexibly to the diversity of individual situations including caring responsibilities, work capacity, their own disabilities and their needs.

In the shorter term we believe that specific aspects of the existing income support system should be addressed. The system should:

- Take account of caring activity in the preparation of EPPS including recognising it as an activity under the activity test, and in assessing work capacity;
- In assessing work capacity for the purposes of DSP, take additional account of the caring activity of the person;
- Be aware of the particular circumstances of carers including the need for administrative systems to be sensitive to situations such as a carer being late in providing material to Centrelink because of the impact of a crisis with respect to the person for whom they are caring; and
- For students to take account of time spent caring in assessing the required workload.

#### Recommendation 2:

The allowance system, and the income support system as a whole, should take greater account of the caring role. Caring should be clearly identified as an activity under activity tests, and an offset in areas such as hours of study or people's assessed work capacity.

## 3 Outcomes for carers

This section is concerned with the financial and other outcomes for carers and the role the allowance system plays in this.

### 3.1 The financial circumstances of carers

In addition to the direct role of the adequacy of allowances as a source of income, this submission also considers the way in which these payments operate at the household level. As shown in this chapter, the current low rate of payment under the allowance system operates both on an individual and a household level and generates very poor outcomes for carers.

#### 3.1.1 Household income

Table 3 shows the distribution of the working age population, classified by whether or not a person is a carer and by the income support status of the person and the household they live in.

For this table all households, from poorest to richest, have been ranked into 10 income deciles<sup>6</sup>. If the distribution of income amongst carers was the same as that of the population as a whole, there would be equal numbers in each classification. This is not the case. Rather the table shows how carers are highly concentrated at the bottom of the income distribution, with this effect being particularly pronounced amongst those carers who are in receipt of an allowance, or who are on another payment but live in a household with other people who are in receipt of an allowance.

In particular:

- 89.1 per cent of carers who are in receipt of an allowance live in households in the bottom half of the income distribution. Indeed 22.9 per cent of such carers live in the bottom decile of the distribution.
- The concentration is even more marked for carers who, while they are on other forms of income support, live in a household where others receive an allowance. 32.2 per cent of such carers live in the households that are in the bottom decile and a total of 59.7 per cent live in households in the bottom two deciles.
- While other groups of carers, other than those living in households where neither they nor other persons receive income support, are also highly concentrated in the lower part of the income distribution, the proportion who are in the lowest part of the distribution is somewhat less.

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<sup>6</sup> As is the standard practice with this analysis these deciles are person weighted so that across the whole population there are equal numbers of people in each decile. Because this table only shows the distribution of people of working age, the totals do not reflect this distribution. In large part this is because of the higher concentration of people above the age of 65 years, as well as children, in the lower part of the income distribution.

**Table 3 HILDA 2009, distribution of the working age population by household income decile, caring and income support payment status**

	Income Decile (a)									
	Bottom	2	3	4	5	6	7	8	9	Top
<b><i>Carers</i></b>										
On allowance payment	22.9	17.0	29.3	14.4	5.5	6.8	0.0	4.1	0.0	0.0
On other income support but person in household on allowance	32.2	27.5	16.2	7.3	10.8	0.9	0.0	5.0	0.0	0.0
On other income support	12.5	22.6	16.5	9.0	15.2	9.4	6.4	3.8	4.0	0.6
Not on income support but other person in household on allowance	10.8	0.9	22.2	9.5	4.5	11.3	8.3	22.9	9.6	0.0
Not in receipt of income support	5.9	7.7	7.1	9.9	9.7	8.8	7.4	11.0	16.0	16.5
<b><i>Non Carers</i></b>										
On allowance payment	18.3	19.7	15.0	11.9	5.9	8.3	8.4	6.5	5.4	0.7
On other income support	15.4	14.9	12.6	10.5	9.4	10.2	8.6	6.1	5.0	7.2
Not on income support	3.5	2.6	5.9	8.8	9.7	10.9	12.4	14.4	15.6	16.4
<b>Total</b>	<b>7.6</b>	<b>7.4</b>	<b>8.5</b>	<b>9.5</b>	<b>9.3</b>	<b>10.3</b>	<b>10.9</b>	<b>11.7</b>	<b>12.4</b>	<b>12.4</b>

(a) Equivalised household disposable income deciles.  
Source: HILDA wave 9.

This clearly shows the financial effect of the low rate at which allowances are paid and how this impacts both directly and indirectly on carers.

### 3.1.2 Financial stress

The consequences of these low household incomes are felt by carers as financial stress and hardship.

The HILDA survey contains 7 measures of financial hardship and stress. These are based on a series of questions as to whether in the course of the year a person, because of a shortage of money:

- Had pawned or sold something;
- Went without meals;
- Was unable to heat their home;
- Asked for help from a welfare/community organisation;
- Could not pay electricity, gas or telephone bills on time;
- Could not pay the mortgage or rent on time; and
- Asked for financial help from friends or family.

**Table 4 HILDA 2009, working age population, incidence of financial stress by caring and income support payment status**

	Sold or pawned an item	Missed meal	Without heating	Welfare assistance	Could not pay on time		Help from family and friends
					Electricity	Mortgage/Rent	
<b>Carers</b>							
On allowance payment	14.5	8.5	4.8	7.5	32.6	10.4	38.6
On other income support but person in household on allowance	19.7	2.7	4.8	31.6	60.0	20.4	55.5
On other income support Not on income support but other person in household on allowance	5.9	9.2	4.4	11.7	15.5	7.4	18.8
Not in receipt of income support	7.4	4.6	0.0	0.0	16.8	8.2	37.6
	3.1	1.3	1.2	3.5	9.4	5.2	7.0
<b>Non Carers</b>							
On allowance payment	12.3	10.0	5.5	13.0	21.5	13.4	25.5
On other income support	5.9	7.2	4.5	5.4	15.8	7.6	16.6
Not on income support	2.6	2.1	1.1	1.5	8.5	4.5	9.5
<b>Total</b>	<b>4.5</b>	<b>4.0</b>	<b>2.2</b>	<b>4.0</b>	<b>11.7</b>	<b>6.3</b>	<b>13.0</b>

Source: HILDA wave 9

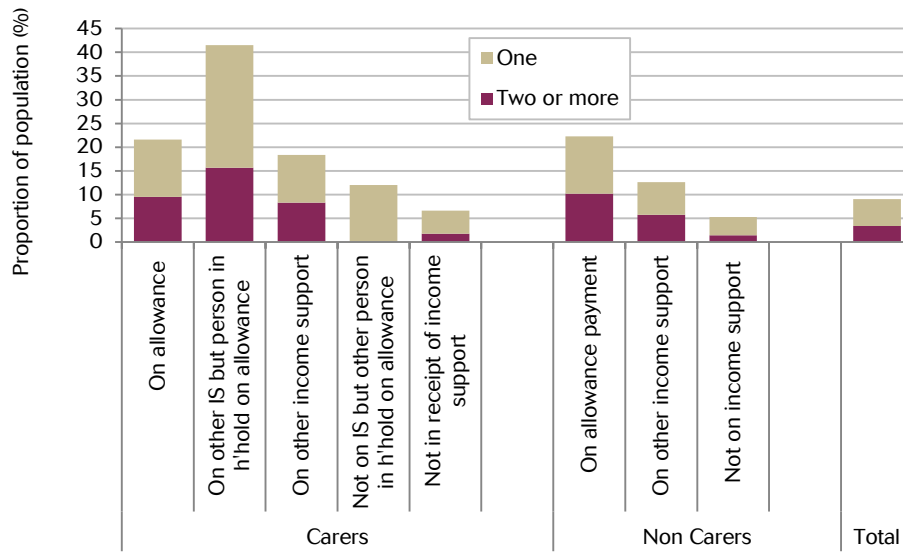
As detailed in Table 4 many carers have experienced these forms of financial stress, with particularly negative outcomes being recorded by those who are either on an allowance payment themselves, or live in a household where other people are on an allowance.

For example amongst those carers who are on an allowance, 38.6 per cent report having to ask family or friends for financial assistance because of a shortage of money, and 32.6 per cent reported that because of a shortage of money they were unable at some point in the year to pay an electricity, gas or telephone bill on time. Just over one in seven (14.5 per cent) reported that they had to sell or pawn an item because of a shortage of money. This clearly highlights the extremes of disadvantage these carers face. Those carers who while on a non-allowance payment themselves, lived in a household with people on an allowance, were even more severely stressed. Here, three out of five reported not being able to pay electricity, gas or telephone bills on time because of a shortage of money, more than half had to seek financial assistance from family and friends and almost a third had to approach welfare or community agencies for help.

In analysis of these data a frequently used summary measure is the extent of 'hardship' – the degree to which people experienced any of the first four measures – having to sell or pawn an item, going without meals or heating, and having to approach welfare agencies for assistance. Figure 1 shows the incidence of such hardship for both carers and non-carers.

This chart clearly shows the much higher levels of incidence of hardship for carers either on an allowance payment themselves or on another payment but living in a household with others on an allowance. For the first of these 9.5 per cent reported experiencing two or more of these adverse outcomes in the previous year with a further 12.1 per cent reporting one. Amongst the second group 15.7 per cent reported two or more of these markers of significant hardship with a further quarter reporting at least one.

**Figure 1 HILDA 2009, working age population, incidence of hardship by caring and income support payment status**



Source: HILDA wave 9

These results clearly show that for carers the current rates at which allowances are paid result in severe financial hardship with such households having to frequently resort to selling and pawning items, going without meals or heating or seeking assistance from welfare agencies to get by financially.

A further aspect of costs for many carers is the cost of renting accommodation. Looking at all working age carers in receipt of income support by tenure shows that there are particularly high levels of financial hardship amongst those living in the private rental market. Looking at the measure of two or more hardship indicators shows that 20.5 per cent of carers who rely upon income support (regardless of whether this is an allowance or a pension) and who live in a privately rented household, experience this level of disadvantage, a rate more than double that of the group as a whole and over five times as high as those who live in a wholly paid off owner occupied house.

This emphasises the impact of high rental costs and the inadequacy of current rent assistance within the income support system.

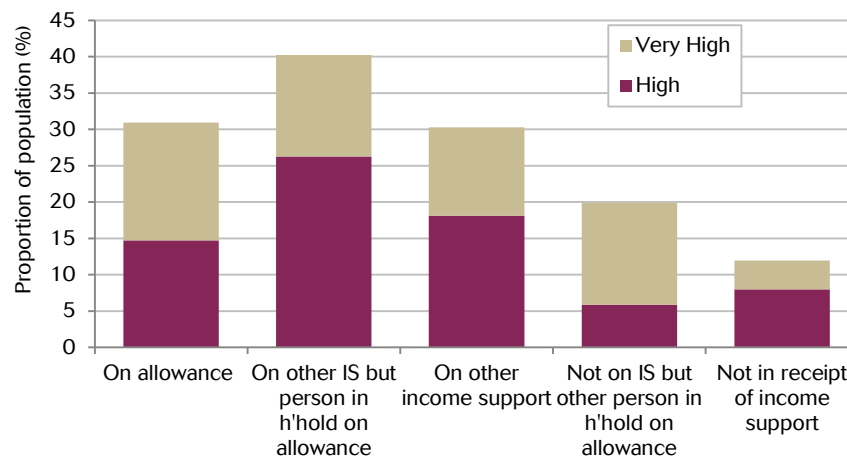
### 3.2 Health and wellbeing

These financial constraints, along with the demands of caring, also impact on the health of many carers. One aspect of this is illustrated in Figure 2 which shows the extent to which people are identified as being at high or very high risk of psychological distress. Amongst carers in receipt of an allowance 16.2 per cent are assessed as having a 'very high risk' and a further 14.7 per cent as having a 'high risk'. For carers on another form of income support, but living in a household where others receive an allowance, these proportions are 14.0 per cent and 26.3 per cent respectively. These rates are considerably above those of all working age carers (8.4 per cent and 12.8 per cent) and for the working age population as a whole (4.9 per cent and 11.1 per cent).

This clearly shows the much more adverse outcomes for carers associated with the low levels of allowance payment.



**Figure 2 HILDA 2009, working age carers, Kessler Psychological Distress Scale, incidence of high and very high risk categories by income support payment status**



Source: HILDA wave 9

The importance of the linkage between the incidence of financial stress and these high rates of psychological distress has been previously noted by the Australian Bureau of Statistics which has noted in its own research “in 2007, people aged 18-85 years who had experienced financial stressors in the past year were more likely to have higher levels of psychological distress than those who reported no financial stressors ... Just under half the people who said they could not afford to heat their home at some time in the past year had high or very high levels of psychological distress (48%), while 44% of people who had gone without meals and 43% of people who had sought assistance from welfare or community organisations also had high or very high levels of distress.” (ABS 2012)

### 3.3 Labour market outcomes for carers

The poor labour market outcomes for carers has been well established both in Australian and international research.

Bittman, Hill and Thompson reported in 2007 that their analysis “...shows that working age carers experience disadvantage. Carers are more likely than non-carers to reduce their hours of work or exit from the labour force, and earn lower levels of income” (p. 255). Similar findings have been made in the NATSEM (2006) report and the House of Representatives Committee Report ‘Who cares ...?’ (HOR 2009) extensively canvasses the issue. Recent work by Edwards, Gray and Hunter (2011) also highlights the greater sensitivity of carers to external economic shocks. In their paper they provide an analysis of the impact of drought on the employment of carers and conclude that this type of event “has a greater impact on employment outcomes for carers than other residents” (p. 199)

Table 5 shows the relative levels of employment of primary carers, other carers and non-carers at the time of the 2009 ABS Survey of Disability and Caring. Primary carers engage in full-time employment at just half the rate of non-carers.

**Table 5 SDAC, Labour force status of carers aged 15-64 years, 2009**

	Primary Carer	Other Carer	Not a carer
Employed full-time	25.6	48.6	52.8
Employed part-time	26.1	23.9	23.3
Total employed	51.7	72.5	76.1
Unemployed	2.6	5.1	4.1
Not in the labour force	45.7	22.4	19.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: ABS Survey of Disability and Caring 2009

Amongst the many barriers experienced by carers are low levels of educational attainment, which frequently have been affected by their caring role.

**Table 6 HILDA 2009, working age population, highest level of educational attainment by caring and income support payment status**

	Post-graduate other	Grad diploma/certificate	Degree	Diploma	Cert III or IV	Cert I or II	Cert not defined	Year 12	Year 11 and below	Total
- % -										
<b>Carers</b>										
On allowance payment	0.0	2.2	8.9	10.6	10.0	6.3	0.0	11.2	50.7	100.0
On other income support but person in household on allowance	0.0	0.2	8.8	13.3	9.2	1.7	0.0	27.6	39.2	100.0
On other income support Not on income support but other person in household on allowance	2.6	5.6	9.0	8.9	17.6	1.1	0.2	13.6	41.4	100.0
Not in receipt of income support	6.0	0.0	5.8	30.5	27.5	0.0	0.0	14.3	15.9	100.0
	4.4	12.2	18.0	6.9	18.2	0.5	0.8	18.0	21.0	100.0
<b>Non Carers</b>										
On allowance payment	0.8	1.5	6.8	6.6	18.0	2.5	0.5	22.3	41.1	100.0
On other income support	1.6	3.6	9.6	7.4	20.7	3.1	0.6	14.2	39.2	100.0
Not on income support	4.9	5.7	16.9	8.9	21.0	1.1	0.3	18.6	22.7	100.0
<b>Total</b>	<b>3.7</b>	<b>5.1</b>	<b>14.3</b>	<b>8.4</b>	<b>20.3</b>	<b>1.5</b>	<b>0.4</b>	<b>18.4</b>	<b>28.0</b>	<b>100.0</b>

Source: HILDA wave 9

This is illustrated in Table 6 Again it is clearly obvious in this table that those carers who are on an allowance or live in a household where other people are on an allowance are at a marked disadvantage.

A further impact on labour market outcomes for many carers is the extent to which even when they can obtain employment this is often casual, seasonal or non-ongoing. This occurs for a number of reasons; firstly many carers are forced into this more marginal employment because permanent positions and full time work may not provide the flexibility that carers require. In other cases it may be a result of having disrupted work patterns in the past because of caring or because of their lower levels of work experience and education.

### 3.4 Summary of outcomes

As presented in this Chapter the data on outcomes for carers shows that carers:

- Are highly concentrated in the bottom of the income distribution; in particular 22.9 per cent of carers who receive an allowance and 32.2 per cent of carers on other payments who live in households where there is a person receiving an allowance are in the poorest 10 per cent of Australian households.
- Face high levels of financial disadvantage and stress. Compared with the population as a whole carers who receive an allowance, or who are on another payment but live in a household where another person is on an allowance are 2.8 and 4.6 times more likely to report two or more hardship outcomes than the population as a whole and 38.6 per cent and 55.5 per cent respectively report having to seek financial assistance from friends or family.
- Have an elevated risk of psychological stress, with 16.2 per cent of those carers on an allowance being identified as being in the highest risk group, along with 14.0 per cent of those on another payment who live in a household with a person on an allowance being in the highest risk category and a further 14.7 per cent and 26.3 per cent respectively being identified as falling into the next highest group.
- Have low levels of labour force participation and poor levels of educational achievement.

These results indicate that receipt of an allowance payment, either by a carer or by another person in the household, has a major impact on the financial circumstances of a household and is associated with markedly poorer living standards and psychological wellbeing for carers.

## 4 Impact of transitions

The experience of transitions, in particular those associated with the death of the person being cared for, or where the care recipient needs to move into residential care, are a traumatic experience faced by many carers.

For many this experience involves having to deal with bereavement, or a sense of guilt or loss in no longer being able to meet the care needs of a child or a partner, at the same time as losing a major part of their household income and having to face new obligations in order to continue to receive income support. As highlighted in the previous chapter, many face considerable challenges and barriers to gaining employment.

While there is a bereavement period for the payment of Carer Payment this is only for 14 weeks and does not apply in all transitions from caring.

### 4.1 Financial impact of transitions

Box 5 provides two examples of the types of loss of household income which may be associated with a transition from being a carer.

#### **Box 5 Examples of household income loss associated with transitions from caring**

Case 1: Couple – woman aged 55 years caring for a husband aged 60 years, he dies from the underlying condition which caused his disability. She received Carer Payment and he a Disability Support pension.

Initial household income: Pension (couple rate) including supplement \$569.50 pw + Carer Allowance \$57 pw + \$11.54 pw (weekly value of Carer Supplement = \$638.04

Household income after death: Newstart Allowance (single rate no children) \$244.85 pw.

Loss of household resources = \$393.20 pw (61.6 per cent of household income)

Case 2: Single woman aged 59 looking after aged father who has to move from the house they share into a nursing home. She received Carer Payment and he an Age Pension, she continues to support him in the nursing home as he has become confused and is not compliant with the staff.

Initial household income: Pension (two single rate) including supplement \$755.50pw + Carer Allowance \$57 pw + \$11.54 pw (weekly value of Carer Supplement = \$824.04 pw

Household income after father moves to nursing home: Newstart Allowance (single rate no children) \$244.85 pw.

Loss of household resources = \$579.19 pw (70.3 per cent of household income)

In the first case where a woman has been caring for her partner who has died as a consequence of the condition he was suffering from, she will see the household income fall from \$638 per week to \$245 per week – a loss of 61.6 per cent of the resources previously available, while there will be some reductions in the need for household spending the extent of this will be considerably less than this fall in income.

The loss in the second case – that of a single woman caring for an aged father who has to move into a nursing home is even greater. The income for the household falls from \$824 per week to just \$245 per week – a fall of over 70 per cent. While again the household may consume less food and spending on some items associated with caring may fall, a person in such a situation may well see other costs increase – such as the need to regularly travel to visit her father in the nursing home, as well as the demands of job search and other activities.

## 4.2 Carers' experiences of the transition

In a recent survey Carers NSW asked carers about their experience at the end of their caring role. As illustrated in Box 6 many faced considerable difficulties.

### **Box 6 How carers experience the transition**

How could the end of your caring role been made easier for you?

Despite my years of caring I was not prepared for the very sudden death of my mother. I still have her house because I could not deal with letting it go. All these years later it is finally on the market. The most difficult aspect of caring for me was dealing with Centrelink. I was treated as if I was trying to defraud the nation!

It could have been made easier by not having to leave the person I cared for at an organisation because I couldn't cope any more. Being made aware of what educational and financial help there was after being a carer.

When I ended my caring role I was very depressed and I had to prove to Centrelink I was looking for work every 2 weeks. I was 58 and no one wanted me at that age. I gave up a good job to care for my parents and I was treated like dirt by Centrelink- they made it very hard for me.

For a start if not being treated like a criminal by Centrelink applying for Newstart Allowance. And if there would have been somewhere to go to talk about how you get back on your feet.

Some sort of debriefing. Help filling out government forms. Given a short holiday, even a weekend. A course on how to deal with change, now in a nursing home. The caring role doesn't stop when a person goes into a nursing home but the Carers Allowance does. My health is broken and it will take a while to rebuild my health.

Help and support in finding work - it's very hard to find work when you've been a carer for a long time, and Centrelink doesn't understand how difficult it can be - on top of that carers get so little income that I did not have any reserve to feed off when I became a jobseeker, so it is very difficult to even buy appropriate work tools and clothes. Caring is a huge responsibility and honour, but I just can't afford to be a carer anymore - it's a life of poverty, and I think it has put me at a huge disadvantage which my extended family simply refuse to acknowledge.

Carers NSW, Carer Survey 2012 (yet to be published)

As highlighted by these quotes, the impact of such transitions is not just with regard to the loss of income, but very much around how they were treated by Centrelink and the obligations placed on them.

### 4.3 Impact of transitions

Carers face many difficulties in their interaction with the income support system during a transition from caring. The differences in the rate of payment of pensions and allowances is one of these. In addition they frequently face major challenges in attempting to re-enter the workforce and to meet the requirements imposed on them by Centrelink.

#### Recommendation 3:

(a) If allowances are not raised to wholly match the pension level then there should be transitional arrangements where any transition from a pension to a non pension payment is graduated over a year.

(b) There should be specific access to appropriate education and training, as well as potentially employment subsidies to assist those carers capable of re-entering the workforce to develop the skills and experience they need to do so.

(c) Participation requirements for carers facing such transitions should be similarly graduated over time to allow for adequate readjustment, and should take full account of any ongoing caring needs, in particular where the person being cared for has moved into residential care

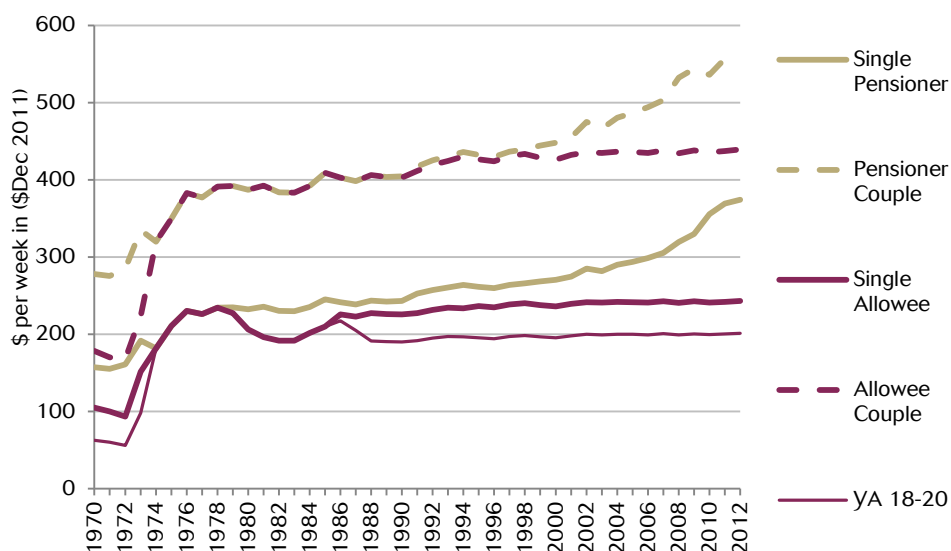
## 5 Adequacy of allowances

This chapter is concerned with the adequacy of allowances and the rate at which they are paid. It initially considers the trends in the rate of payment of allowances over time, in real terms and relative to pensions, and then considers in some detail some of the issues relevant to the setting of the rate of payment.

### 5.1 The rate of allowances

The evolution of pension and allowance rates since 1970 is illustrated in Figure 3. Most marked in the chart has been the rapidly growing gap between pensions and allowances since the beginning of this century.

Figure 3 Real value of pensions and allowances 1970 to 2012



Notes: Rates are as of 1 January each year using the CPI for the preceding December quarter.

Pension rates shown are for the Age Pension and include bonuses for 2006-07 to 2008-09, but exclude the impact of the 2008 Economic Security Strategy lump-sum payment, Source: Data derived from Harmer 2009 and Australian Government 2012 Section 4.10

As the chart shows, there have been many elements to these changes, including the effect of the different indexation regimes. Other factors have though also been important. As seen in the early 1970s, there was a deliberate policy to bring the rates of pensions and allowances together and this effectively persisted in the couple rate until the mid 1990s. In contrast, the single rate of allowance was allowed to fall substantially in the late 1970s through a freezing of the rates. Some of this fall was subsequently addressed by increases in the early 1980s, although the rate of payment for those aged 18-20 years was again frozen in the late 1980s, with a subsequent fall in its real value.

There has been little growth in the real rate of single allowances since 1986, and indeed in real terms the value of this allowance of \$241 per week in January 2011 was little different to the \$235 per week that was paid in January 1978.

While many of the individual decisions which have impacted on these rates have had specific justifications, it is difficult to identify any overall rationale to the evolution of payments. Rather, the rates and relativities reflect different values of governments over time, sometimes leading to deliberate decisions such as the decision to align rates in the early 1970s, or later to freeze particular rates, and other times seeming more to be a measure of neglect. This latter seems to apply in particular to the current gap between pensions and allowances – there are few signs that recent governments have had a rationale for currently having a \$ difference between the rates of payment – rather they have been largely willing to sit back and ignore the issue.

**Table 7 Rates of income support 1 July – 19 September 2012**

		Weekly payment	Proportion of pension rate	Difference per week
<b>Couples</b>				
Pension		\$ 569.50		
DSP < 21		\$ 536.59	94.2	\$ 32.91
Newstart		\$ 442.00	77.6	\$ 127.50
YA		\$ 402.70	70.7	\$ 166.80
<b>Single people</b>				
Pension	Adult	\$ 377.75		
DSP < 21	< 18 dep	\$ 183.89	48.7	\$ 193.86
	<18 indep	\$ 275.14	72.8	\$ 102.61
	18-20 dep	\$ 206.29	54.6	\$ 171.46
	18-21 indep	\$ 275.14	72.8	\$ 102.61
Newstart	Single no children	\$ 244.85	64.8	\$ 132.90
	Single 60 yrs	\$ 264.90	70.1	\$ 112.85
YA	<18 at home	\$ 110.20	29.2	\$ 267.55
	<18 away from home	\$ 201.35	53.3	\$ 176.40
	18-24 at home	\$ 132.50	35.1	\$ 245.25
	18-24 away from home	\$ 201.35	53.3	\$ 176.40
<b>Lone parent</b>				
Parenting Payment	Single child <8	\$ 330.26	87.4	\$ 47.49
Newstart	Child 8 yrs +	\$ 264.90	70.1	\$ 112.85

Source: DHS 2012c

Table 7 presents the current rates of payment for a range of the major income support payments. The rates vary considerably:

- Amongst single people living independently the rate varies from \$377.75 per week to \$201.35 per week for a recipient of Youth Allowance under the age of 18 living away from home. For a single person on Newstart the payment is \$132.90 per week less – with such a person receiving just 64.8 per cent of the pension rate.
- For a lone parent with a child aged under 8 years not only is the single rate of payment of Parenting Payment Single \$47.49 a week less than the pension, but once the child turns 8 the payment falls to be just 70.1 per cent of the pension rate for a single person, a total of \$112.85 per week less.

There is little evidence of there being any clear rationale for most of these differences in terms of the cost of living of people in different circumstances. This is of great concern to Carers Australia, as carers may find themselves on any one of these payments, depending upon their caring role and their own circumstances.



## 5.2 Allowance rate impacts on carers

As shown in Chapter 3 allowance rates are very important for carers – at the individual and household level – and it is clear that the current system:

- Fails to provide adequate income for those carers on allowances, or those on other payments who live in households where others receive allowances, resulting in high levels of financial stress and disadvantage; and
- Gives rise to a serious reduction in income in the transitions faced by many carers. This reduction often coincides with other significant stresses for carers and at a time when they frequently face severe barriers to finding employment.

## 5.3 At what rate should allowances be set

In addressing the question of the rate at which allowances should be set we consider that guidance can be best be taken from previous studies focusing on the appropriate level of income support, and in particular the rate of the pension.

Carers Australia believes that the pension rate can be considered as a low, but generally adequate, level of support for meeting the regular basic needs of people who are unable to support themselves. In the case of carers however, we draw the Committee’s attention to the caveat recognised in the Harmer Inquiry, that this adequacy was constrained by the extent to which the household faced no ‘unusually high costs of health or disability’ (Harmer 2009 p. xiii). We consider the role of Carer Allowance as a measure to address such costs, along with the cost of caring, in Chapter 6.

Our approach to considering the rate at which allowances should be set is to examine the basis on which any differentiation with the rate of the pension should be made.

### 5.3.1 Previous considerations

The current rate at which pensions are paid reflects the outcome of the Harmer Pension Review. Effectively this found that the rate of the couple pension, taking into account the supplements paid, and the value of the Seniors Bonus which had been paid to certain pensioners since 2006-07 was adequate, but that the level of the pension paid to single persons living alone should be increased to some 64 to 67 per cent of the couple rate.

The Henry Review took the rate established by the Government after their consideration of the Harmer Report as their starting point, indicating: “In considering payment adequacy, the Review has taken the policy settings established by the Australian Government following the 2009 Pension Review as establishing the highest level of income support payment” (Henry 2009b p. 486.

The Report then went on to suggest a three level structure of payments:

“There should be three primary payment categories that reflect societal expectations about the level of work that can reasonably be expected to be undertaken by an individual – a pension category where there is no expectation of work; a participation category for those who are expected to work now or in the near future; and a student category for those undertaking full-time study in an approved course. Rates of payment for those in the pension category should generally provide a higher level of adequacy than rates in either the participation or student categories.

To improve equity, the current differences in rates of payment should be reduced through increases in the single person's rates of payment in the participation and student categories." (Henry 2009b p. 486)

The Henry Review hence effectively argued for a smaller, but still on-going difference in the rates at which pensions and allowances are paid, accepting the rate of the pension as being the reference point.

In taking this position the Report noted: "There is no single agreed definition of income poverty, nor is there an agreed way to measure the adequacy of support rates" (ibid p 495) and further stated:

"The level of payment has to be balanced with incentives to work. It also needs to be seen as affordable, sustainable and fair by the community. These considerations would support a lower level of payment for those expected to work full-time compared to those not expected to work and likely to be reliant on income support for a long time."

## 5.4 Addressing the Henry approach

Commencing from our perspective that the Pension rate is moderately adequate in the absence of any additional costs of health, care or disability, or having to face high housing costs, this section considers the grounds put forward by Henry for setting the allowance rate below that of the pension, and if these were to be accepted, what type of gap should exist.

Essentially the Henry stance is based on three grounds:

- Allowances should be lower because they are essentially only short-term income support;
- Allowances should be lower because there is a need to maintain incentives for employment; and
- Lower allowances are necessary to ensure there is not an inappropriate burden placed on taxpayers.

Most notably, other than the implications that a shorter time on allowances may mean that people do not need to face some capital expenditures such as replacing worn out items, the case for lower allowances is not based on any evidence that people on allowances require any lesser income from income support payments to achieve an adequate standard of living. Nor do they address the additional level of income they would require to overcome the high levels of financial stress they currently face.

The following sections consider each of the elements of the Henry argument in more detail.

### 5.4.1 Duration of receipt of allowances

In arguing for a lower rate of payment for the "participation category" Henry sought to describe this group as being those "who are expected to support themselves through paid work now or in the near future". (ibid p. 521)

This statement of expectation involves several substantive assumptions which upon further examination are significantly misplaced. The first concerns the ability of people to gain employment. This is considered with regard to carers further in section 5.4.3. The second is that such outcomes are likely in the 'near future'.

While the time spent on allowances for many people is short, for many others it is long. In their statistical summary FaHCSIA (2012) report that:

- While 37.3 per cent of Newstart recipients had been on the payment for less than a year the marked majority had been on it for much longer periods.
- Indeed the average duration of time on income support of those on Newstart was 175.4 weeks – some 3.4 years.
- 13.5 per cent of men and 25.6 per cent of women on Newstart had been on payment for five years or more.
- For those on Widow Allowance the average duration was 460.9 weeks and for parenting payment partnered 259.7 weeks.

These durations are likely to extend as increasing numbers of people judged to have a partial work capacity are placed on them. Indeed for this group the concept of being on payment as a short term and that in the 'near future' that they would be able to support themselves is wholly inaccurate. Given that this group contains people who have a work capacity of little more than 15 hours per week (the cut-off with DSP) and have at best skills which will see them placed in low paying basic jobs, it is clear that they will never be in a position to be able to support themselves and move off the payment. To justify the payment of a low level allowance to this group on the basis of it being only short-term assistance, is highly misplaced. As at 26 August 2011 there were 88,600 Newstart and 4,399 Youth Allowance (other) recipients who were assessed as having only a partial capacity for employment. (DEEWR 2011)

The needs of this group are important to Carers Australia as it is likely that the conditions which result in their low work capacity also mean that many will be in receipt of care, and their low incomes will also impact upon their carers.

#### 5.4.2 Incentives and the rate of allowances

Henry's second grounds for having a lower allowance rate is that this is necessary to ensure there are adequate incentives for workforce participation. While Carers Australia endorses building workforce participation where this is possible, the argument that this should, and can be effectively done through paying low levels of income support is questionable.

Specifically we note:

- Paying inadequate levels of income support in order to generate 'incentives for work' is inequitable and ignores the moral responsibilities of the community to ensure an adequate level of support for those most in need and at disadvantage.
- If the underlying purpose of these incentives is to 'make work pay' then this can be done by other means. For example, it can be pursued through the wages system, alternatively the payment of in work benefits, such as an Earned Income Tax Credit, can ensure that where people move from income support to employment they benefit from this, without penalising those unable to do so. While we take no position on the relative merits of these and other approaches, we consider that they are far preferable to seeking to achieve this through penalising those who need assistance through the allowance system.
- Furthermore in considering the issue of workforce participation, it needs to be recognised that the payment of allowances is, in most cases, also conditional upon

people engaging in certain activities such as job search and education, and that refusal to accept employment can lead to the termination of assistance. As such these are all the tools that can be used to ensure participation - rather than just relying upon financial incentives with the accompanying need to set the rate of assistance at a sub-par level. (Elsewhere we have indicated that in the operation of these mechanisms it is important to take account of the caring role as a valid form of participation, and the extent to which it may impose constraints on these other activities.)

- Finally, with particular reference to carers, as we discuss in the following section, we would emphasise that the challenge of boosting labour market participation is one of barriers – not incentives. That is the low levels of participation reflect the real difficulties carers and those who have ceased caring face in entering and establishing themselves in the workforce.

### 5.4.3 Carers and labour market disadvantage

Taking this last point further, as has been documented in section 3.3 carers face many barriers to gaining employment. In addition to the ongoing demands of their caring role this frequently includes low levels of educational qualifications, and relatively short periods of, often distant, workforce experience.

This was examined in considerable depth in Chapter 7 of the ‘Who cares?’ report (HOR 2009). This report contains many detailed statements from carers presented in evidence to the Committee which describe their experiences in seeking to participate in the workforce. For example Narelle Hughes in her submission summed up her experiences as

“... until my daughter turned thirteen she was eligible to access after school care and school holiday care and I tried to maintain paid employment. Once after school care was not available I had to find a position on a part-time basis, and that was not necessarily easy. If you consider the details of my caring role as outlined earlier, you may be able to understand that, try as I might, and even with the most understanding employers, I would not be considered the most reliable employee. My daughter’s needs had to be my priority. During my years as an employee it was necessary for me to drop everything and go to my daughter on a regular basis. Seizures at school meant hours for me in hospital emergency departments, sicknesses meant that I used all sick leave, parental leave and compassionate leave and school holidays meant annual leave plus more were taken.” (HOR 2009 p. 201)

Similar evidence to the Harmer inquiry resulted in it noting “Therefore, the Review considers that the reform direction for the service delivery system needs to be combined with additional support for carers to maintain links with the labour market through better access to respite or other forms of care to help them balance work and caring, and targeted assistance to gain employment “ (Harmer 2009 p.117) Reflecting this the report included a finding: “Finding 24: The Review finds that reviews of funding arrangements should take into account the need to ensure that people with disability and carers have better opportunities to establish and maintain links with the labour market ...” (ibid p. 118)

In their 2006 Report NATSEM reported that “Caring for someone else can extract a high price financially, by restricting job opportunities and reducing income. The overall labour force participation rate of carers is lower than those with no caring responsibilities (56.1 per cent compared to 67.9 per cent). The labour force participation rate drops even lower for those who are primary carers, with only 39 per cent being involved in the labour force.

Even if we account for age, Figure 8 suggests that during the peak working years, primary carers and carers as a whole have a much lower likelihood of holding down a paid job than those who do not have such caring obligations." (NATSEM 2006)

This has also been noted by Carers Victoria in summarising the circumstances of many women who find themselves as carers. "A recent study by the Australian Institute of Family Studies (AIFS), *Caring and women's labour market participation*, showed that 53.6% of unemployed women who receive the Carer Payment want to work. The same study showed that, of this unemployed group of women, 47.4% had been employed just prior to commencing caring (Gray et al. 2008). This suggests a pattern where people who need to provide care find that they have to give up paid work to meet their caring responsibilities.

A separate AIFS report, *The nature and impact of caring for family members with a disability in Australia* (Edwards et al. 2008), found that the most common barriers reported by female carers who are not in the labour force but would like to work are a lack of available alternative care arrangements and workplace inflexibility.." (Carers Victoria 2009 p. 7)

In the light of this there is clearly little prospect for many of the carers, and indeed the people they care for who are on allowance payments being able to support themselves in the immediate or 'near' future.

#### 5.4.4 The payment rate of allowances - summary

Given these considerations, and the poor outcomes for carers in receipt of allowances or living in households where part of the household income is derived from this source, we consider that the rationale for setting the allowance rate below that of the pension, in particular to the extent it impacts on carers is not sustainable. In summary:

- To the extent financial incentives are seen as being important, then these should be addressed through in work benefits and other strategies, rather than being achieved by denying people an adequate level of support when they most need it.
- The conceptual difference between long term and short term income support appears to be increasingly based upon rhetoric, rather than the actual circumstances of people who need to rely upon income support. This is particularly the case for people with a disability who have been assessed as only having a limited work capacity, but are not able to access the Disability Support Pension.
- The financial sustainability argument is substantially overstated. In the first instance the balance of allowance recipients to those on pensions is such that the difference in the rate of payment makes only a small difference to total expenditures. Secondly to the extent a gap between the payments exists, there will continue to be pressure for people to move from allowance to pension rates – effectively thwarting any cost savings. Thirdly, as with the first point, there seem to be no reasons why any such cost savings should be borne by one particular highly disadvantaged group in the community.

Therefore we recommend:

#### Recommendation 4:

The rate of payment of income support allowances (for adults) should be raised to the pension level. This should apply for both couples and singles.

In these considerations we are particularly concerned at the emphasis on the provision of incentives as this impacts on carers. As detailed in this submission, both current carers as well as those whose caring task has finished or has substantially changed, face major barriers in seeking to enter the workforce. Central to these are low levels of education (at times as a consequence of caring) and having been absent from the workforce for extended periods while caring.

Addressing these barriers requires active policies by government and a considerable level of investment in education, training and employment support. We believe that the role of the allowance payment system as a support into work is much too limited and much more active interventions, including increased levels of investment, are required to address the entrenched labour market disadvantage faced by many, including carers.

#### Recommendation 5:

Approaches to boosting labour force participation by carers and former carers should not be based upon arguments of financial incentives, and implemented through the payment system – but rather should be achieved through investing in training, education and employment support.

### 5.5 Age specific rates of allowance

In contrast to pensions, including Carer Payment, which are paid at a common rate across all age groups, the rate of allowances varies with age.

Carers Australia does not take a position on the generality of this approach, we do however consider that it is inappropriate for this practice to be adopted for young carers and former carers. The reasons for this are:

- The principle of a single rate of payment regardless of age is already a feature of support for carers where this is provided through Carer Payment;
- Young people who undertake caring are already demonstrating an ability to undertake adult responsibilities and should be treated accordingly; and
- The existence of differential age rates of payments even further exacerbates the circumstances of younger carers who cease caring and are required to shift from receiving Carer Payment to an allowance. For example a 17 year old young carer<sup>7</sup> would see their weekly income drop from \$377.75 to just \$110.20.

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<sup>7</sup> As at June 2011 there were 1,193 recipients of Carer Payment aged 19 years or under. (FaHCSIA 2012 p. 25)

#### Recommendation 6:

Where a young carer is eligible for an allowance payment, this payment should be made at the full adult rate.

### 5.6 Rent assistance

As detailed in section 3.1.2 carers in the private rental market show much higher levels of financial stress than those in other tenures. While increases in the rate of allowance will assist many of these, it will not address their position relative to those in other tenures.

The inadequacy of rent assistance and the poor outcomes for people living in private rental accommodation had been identified in many pre-existing studies. These include the Harmer Pension Review which reported “Chapter 3, in considering the adequacy of the pension, found that pensioners who were renting privately experience particularly poor outcomes. It found that an immediate response to improve the circumstances of pensioners who rent privately could be achieved through an increase in Rent Assistance.” (Harmer 2009 p. 93)

The Henry Review recommended more specifically: “Recommendation 102: The maximum rate of Rent Assistance should be increased to assist renters to afford an adequate standard of dwelling. To ensure that Rent Assistance can be maintained at an adequate level over time, the rent maximum should be indexed by movements in national rents, which could be measured by an index of rents paid by income support recipients.” (Henry 2009a p.100)

Despite the wealth of evidence on the inadequacy of Rent Assistance and the recommendation of the Henry Review, no action has been taken to respond to the impact of the high cost of housing on the living standards of people on income support including carers.

#### Recommendation 7:

The rate of Rent Assistance should be increased to provide greater equity between income support recipients, including those receiving allowances in different housing tenures and to address the very poor outcomes for carers and others associated with meeting high private rent costs.

### 5.7 Indexation

One of the major causes of the divergence between pension and allowance rates of payment has been the different approaches to indexation. While allowance rates are simply indexed for price changes, pensions are adjusted to take account of changes in the overall standard of living of the community.

This latter approach is the only sustainable basis for adjusting payment rates. Without taking account of such changes, the level of payments will diminish in relative terms leaving those reliant upon them at an ever increasing distance from other members of the community. This clearly runs counter to principles of social inclusion, including the enunciated position in the statement for Australian Carers that “Carers should be supported to enjoy optimum health and social wellbeing and to participate in family, social and community life”. Clearly such participation cannot occur where a group has their income constantly declining relative to community standards.

The principle of common indexation across payments was reflected in the Henry Recommendation 84: "Payments and income test parameters should be indexed in a consistent way to maintain relativities across the three payment categories and to reflect changes in community standards...." (Henry 2009b p.522) In the case of rent assistance, the Henry Australia's Future Tax System review, recognising that rents did not necessarily move in alignment with either incomes or other costs recommended "Recommendation 102: ...To ensure that Rent Assistance can be maintained at an adequate level over time, the rent maximum should be indexed by movements in national rents, which could be measured by an index of rents paid by income support recipients." (ibid p. 610)

Carers Australia agrees on the need for payments to be indexed on a common basis to maintain relativities to avoid the current situation. We consider that the current pension indexation arrangements are appropriate for income support payments, and we support the Henry Review recommendation with regard to Rent Assistance.

#### Recommendation 8:

Allowances and supplementary payments, other than Rent Assistance, should be indexed on the same basis as pensions to ensure that all Australians can share in increasing living standards and to avoid the re-opening of gaps between payments. Rent Assistance should be indexed along the lines proposed by the Henry Review.



## 6 Carer Allowance

Carer Allowance, paid at a rate of \$57 per week is received, as discussed in Section 2.1 by over 520,000 carers in Australia.

It is a payment, which while being a very important supplement for many carers, has received little attention in any recent policy discussions. This we consider to be a major omission. While, as recognised by the Harmer inquiry, the payment is used by many carers to pay for some of the many costs of caring, there has been no attempt to seriously examine the role and adequacy of the payment.

The reasons for this seem to be somewhat unclear:

- In the case of the Pension Review the report notes:

“The findings above ... reflect the Review’s conclusion that the services system is the most appropriate way in the long term of addressing concerns about the costs associated with the needs of people with disability, and caring needs, and their opportunities for community and workforce engagement.

Consultations also identified that, in addition to the costs and availability of services, carers were concerned about the impact of caring on their aspirations for community and workforce engagement. Finding 24 reflects the importance of responding to these on longer-term outcomes.

Once supports for carers to maintain links with the labour market are developed, it may be appropriate to review the role of Carer Allowance. However, the Review considers that a review would require better access to respite, or other forms of care, to help balance work and caring, and targeted assistance to gain employment to be in place. Until then, Carer Allowance will continue to have a role in supporting the provision of informal care.” (Harmer p.118)

- More recently the policy focus has been largely directed at the development of the NDIS

This lack of action in relation to Carer Allowance is of considerable concern to Carers Australia. While we recognise that the NDIS will represent a major reform in the provision of support to people with disabilities it will take many years to be fully implemented and it will not relieve carers of many of their responsibilities. Indeed for some it will impose new ones such as coordination of services, while for others, such as those caring for younger children, the NDIS proposes to only pick up part of the caring task, while many other carers provide care to people who are outside of the NDIS.

To the extent the cost of caring has been examined, the evidence is that it is substantial. Hill, Thompson and Cass 2011 conclude “The findings all concur that the provision of informal care negatively impacts on employment, income, financial stress, time pressure and health. Research on the direct costs of care shows that carers may have substantial expenses associated with the provision of informal care, including additional heating and cleaning expenses and costs associated with travel, communication and services. Some

carers reported pooling resources and helping the person with disability to cover expenses. Carers also often reduced spending on items such as holidays and leisure activities.” (p. 15)

With the focus of this Inquiry on the rate of allowances being paid as income support we recognise that the Committee may not have the capacity to fully examine these issues. We however believe that it is important that this matter be placed back onto the agenda as a vital element of the transfer system.

#### Recommendation 9:

The role and adequacy of Carer Allowance should be reviewed with particular attention being placed on ensuring that the payment recognises the high costs of caring, both directly including the costs of disability which are often offset by carers from Carer Allowance, and the indirect costs including the extent to which many are forced to forgo retirement savings.

While it is recognised that some of these aspects may be affected by the NDIS, it should not be used as reason for the continued neglect of this issue.

## Attachment A: HILDA data

This submission uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Project was initiated and is funded by the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views reported in this paper, however, are those of the author and should not be attributed to either FaHCSIA or the Melbourne Institute.

### Definition of carer

In the HILDA survey two questions are asked of respondents on their caring activities

K55 Is there anyone in this household who has a long-term health condition who is elderly or who has a disability, and for whom you care or help on an ongoing basis with any of the types of activities listed on SHOWCARD K55?

K58 Is there anyone living elsewhere who has a long-term health condition, who is elderly or who has a disability, and for whom you care or help on an ongoing basis with any of the types of activities listed on SHOWCARD K55?

Showcard K55 details the following types of activities

#### Self-care

For example:

- Bathing / showering
- Dressing / undressing
- Eating / feeding
- Going to toilet
- Bladder / bowel control

#### Mobility

For example:

- Moving around away from home
- Moving around at home
- Getting in or out of a bed or chair

#### Communication in own language

For example:

- Understanding / being understood by strangers, friends or family, including use of sign language or lip reading

These activities are all fairly intensive activities for people with significant core limitations, as such the group of carers identified in this survey are only a subset of the wider group of

carers who provide care and support to the frail aged, persons with long term health conditions and disabilities.

As with other surveys a proportion of respondents do not answer all questions in the survey. For the most part where this occurs the HILDA data simply contains a missing value, this is in contrast to most ABS household surveys where such missing data is 'imputed'. Where a particular data item is missing for any particular table in this submission the relevant record is simply excluded from the table, a consequence of this is that table totals drawing upon different elements of the survey do not necessarily match.

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