

Submission No. 558
(Inq into better support for carers)

A.O.C 7/7/08

SUBMISSION TO THE
**House Standing Committee on Family,
Community, Housing and Youth**

ON

Inquiry into better support for carers

July 2008

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Inquiry into better support for carers

Terms of Reference

Carers play a vital role in sustaining Australia's current system of community-based person-centred care. However, they are often at increased risk of becoming socially isolated from their peers and disconnected from mainstream employment. Many carers also have significantly worse health outcomes than the general population (both in terms of physical health and psychological wellbeing) and endure problematic access to services and support. Carers also often face increased financial pressures, having limited opportunities to accrue savings, accumulate superannuation and save for retirement.

To obtain an improved understanding of the challenges facing carers and their support needs, the committee will inquire into and report on: the role and contribution of carers in society and how this should be recognised; the barriers to social and economic participation for carers, with a particular focus on helping carers to find and/or retain employment; the practical measures required to better support carers, including key priorities for action; and strategies to assist carers to access the same range of opportunities and choices as the wider community, including strategies to increase the capacity for carers to make choices within their caring roles, transition into and out of caring, and effectively plan for the future.

In examining each of these issues, the committee will also inquire into the specific needs of particular groups within the caring population including new carers, younger carers, older carers, Indigenous carers and those with multiple care responsibilities.

For the purpose of this inquiry carers are defined as 'individuals providing unpaid support for others with ongoing needs due to a long-term medical condition, a mental illness, a disability or frailty'.

Submission

Term of reference:

strategies to assist carers to access the same range of opportunities and choices as the wider community, including strategies to increase the capacity for carers to make choices within their caring roles, transition into and out of caring, and effectively plan for the future.

Brief Summary

Carers do not have the same opportunities and choices afforded to the wider community in relation to retirement income. Carers are one group in society who under the Superannuation Guarantee System (SGS) have no or a low superannuation account balance. Consequently carers have insufficient funds to provide adequate retirement income.

Background

The Australian Retirement System is comprised of three main ‘pillars’ or components:

- a taxpayer funded means-tested Age Pension for people who are unable to fully support themselves in retirement
- a minimum level of compulsory superannuation contributions made in respect of those in the workforce (the Superannuation Guarantee System) and
- voluntary private superannuation and other savings (Australian Government 2007)

The first two components of the retirement income system have been the focus of government policy and legislation. However, since 1992 the government regulations have increasingly facilitated the growth and importance of the second pillar, occupational superannuation known as the Superannuation Guarantee System (SGS). For those Australians without adequate superannuation, the Age Pension, the first pillar, provides a very modest “safety net” provision.

The Superannuation Guarantee System (SGS) or compulsory occupational superannuation is a long-term investment saving plan for future retirement income. Individuals through their occupation contribute funds over their working life, these funds compound with investment earnings into larger sums that are made available in retirement.

Despite the aim of compulsory occupational superannuation to increase living standards in retirement, internationally, Australia has one of the lowest retirement income levels for older people among the Organization for Economic Cooperation and Development¹ (OECD) countries (Australian Council of Social Service 2007). Australian research further suggests that 39 per cent of single adults over 65 years are likely to live below the poverty line (Association of Superannuation Funds of Australia 2007).

¹ The poverty line is usually based on the disposable (after tax) income of households and the OECD, is set at 50% of the median disposable income for all Australian households for a single adult.

Approximately 3.5 million Australians or one third of the workforce will have less than adequate retirement² income. These Australians have low superannuation account balances indicating they will not have sufficient retirement income (Association of Superannuation Funds of Australia 2007).

Assumptions underlying the current system, suggested that as superannuation matured, superannuation account balances would increase. However, this is not the case for everyone. The average superannuation account balances achieved in 2004³ was \$56,400 for men and \$23,900 for women, the average payout was \$110,000 for men and \$37,000 for women (Clare 2007). However, to achieve a modest life style, individuals require a superannuation balance equivalent to \$100,000 and over \$260,000 for a comfortable lifestyle assuming access to a full or part Age Pension.

Main Points

The role of a carer is important and essential for the viability of households and society. As a group in the community, carers number approximately 2,557,000 and represent 13 per cent of the population (Carers Australia 2007). Most often the role of a carer is undertaken by women within the family or domestic structure (Ungerson 1997; Nelson 1998). These informal (unpaid) carers are often unable to participate in full time paid employment for periods of their working life or they combine the role of caring with part time work. Others, care full time and are exempted from participating in paid employment receiving welfare payments and allowances such as the Carer Allowance. These options not only provide a minimum standard of living but restrict carer's ability in contributing funds for future retirement income.

To achieve adequate retirement income, the SGS or compulsory occupational superannuation is based on the accumulation of funds from a mandatory 9 per cent contribution of an individual's income over their working life. However, to achieve these retirement benefits, the SGS is based on the 'ideal' worker, individuals participating in the paid work force during their working life from 18 years to retirement at 65 years and earning at least average weekly income during that period. Superannuation contributions and therefore individual superannuation account balances can vary dramatically depending on income and the amount of paid employment undertaken during ones working life. Consequently low superannuation account balances are a direct response of individual's income and working life in paid employment. Carers do not reflect the work patterns and income of the 'ideal worker' and therefore have low superannuation account balances that will not provide adequate retirement income.

The reality is under the current Australian retirement system, informal (unpaid) carers having contributed to society by caring for others are unable to fully participate in occupational based superannuation. Carers do not fit the 'ideal worker' scenario and the SGS fails to recognize the traditional non-market activities undertaken by carers. As a consequence the SGS fails carers in their ability to achieve adequate retirement income. Carers unable to provide adequate retirement income for themselves will be forced to retire and live on the aged pension. Currently the Aged pension provides a

² The AMP Superannuation Adequacy Index is based on 65 per cent of individuals own pre retirement living standards.

³ Latest figurers available

minimum standard of living equivalent to 25% of the average male weekly earnings. Carers therefore do not have the same range of opportunities and choices as the wider community.

Reference List

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