

Social Policy in the City Seminar

18 May 2006

**Mission Australia, The Smith Family and the Social
Policy Research Centre**

S|P|R|C

**Seminar: Caring in the 21st Century: Costs, Opportunities and
Custody**

Paper: Estimating the Worth of Care: Policy Implications

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- ◆ **The mainstream literature on unpaid care (delivered outside of commodified care arrangements, usually by family members within households and kin networks) - the informal sector; and paid care (care-giving services in the formal sector for children and adolescents, frail elderly people and people with severe illness or disability) tends to establish a set of dichotomies along the lines of informal/formal, commodified/ /non-commodified, unpaid/paid care.**
- ◆ **The recent international literature on care-giving and care-receiving rejects these dichotomies, developing and adapting a conceptualisation of “social care” in which the interconnections of paid and unpaid care are mapped through the life-course.**
- ◆ **This paper explores relevant literature concerned with the social relations of care giving and receiving, and goes on to explore the various ways in which the “costs” of care to care-givers in Australia have been conceptualized and estimated.**
- ◆ **It calls for a rethinking of the terminology and assessment of the “costs” of care and the adoption of a terminology emphasizing and estimating the ‘worth’ of care. This has deep implications for effective, equitable policy-making.**

Dissolving the dichotomy of formal/informal care: the concept of “social care”



Daly and Lewis (2000) three dimensional conceptualisation of social care

- ◆ ***Care is labour*** which involves consideration of whether care is paid or unpaid, formal or informal and the state’s roles in determining these and other boundaries. The point which they raise is that there is nothing essentialist in the apparent fragmentation of informal/formal, unpaid/commodified care: rather, it is state policy which determines and frames these apparent dichotomies, and these are not fixed, but may be subject to significant policy shifts.
- ◆ ***Care is located within a normative framework of obligations and responsibility.*** This means that it is misleading to consider care only within the framework of labour, or work. Care is a relationship- many informal carers do not identify themselves as carers and do not use available services, because their care-giving is embedded in a deep sense of familial and kin reciprocity (Bittman et al, 2005).
- ◆ ***Care is an activity with financial and emotional costs which extend across public/private boundaries.*** How are the costs shared, among individuals, families and within society at large through public policies which share the responsibilities of care through state-financed or state –subsidised services; or assistance from government income support; or, through user-pays provision, depending on capacity to pay.

- ◆ use of “social care” as an analytical tool to investigate broader policy settings , to understand the multiple relationships of care giving and care receipt within a policy regime framework, the conditions under which the care is carried out and the state’s role in affecting such conditions.
- ◆ Fine’s categorisation
- ◆ Care is a mental disposition, an emotional engagement with, and concern for the wellbeing of others; care is an activity, a form of work concerned with personal maintenance, assistance or personal support- “caring for” someone;
- ◆ Care is an interpersonal relationship between individuals. “The emphasis here is on the development of on-going personal ties through the assumption of responsibility for attending to the needs of others.” (Fine, 2004:224-225).
- ◆ *Taking Care of*, which entails actually carrying out the daily tasks of care-
- ◆ Taking up these principles, care entails costs and also entails “worth” provided to the care-receiver, to society and economy.

- ◆ Fisher and Tronto's (1990) conceptualisation of the dimensions of the care as a social process:
- ◆ *Caring about*, which consists of paying attention to the factors that determine well-being and establishing the need for care;
- ◆ *Caring for*, which entails taking the initiative for concrete caring activities and taking responsibility to ensure that they are carried out;
- ◆ *Taking Care of*, which entails actually carrying out the daily tasks of care-giving work;
- ◆ *Care receiving*, which signifies that caring is a reciprocal relationship.

- ◆ **Can all care-giving be located, or re-located within the informal sector supported by cash transfers - that is re-familialised? Is this the optimum policy pathway to emphasize?**
- ◆ **Given the significant policy focus in Australia and in other OECD countries on promoting, in some instances mandating increased labour force participation of adults to the age of 65 and beyond, particularly with respect to women, in the context of an ageing population, it would establish significant policy contradictions if the the latter policy trajectory were given priority.**
- ◆ **Can all care-giving be commodified, that is provided by much increased supply of formal services, supported by subsidy to the services so as to make services more affordable, supported by Carer Allowance to the principal carer to offset (very partially) some of the high direct costs of care, supported by generous tax rebates to the carer to offset the direct costs of formal care (child care, elder care, disability care) so as to enable carers to maintain their employment and increase, if they wish, the hours of their employment (as recommended by the Taskforce on Care Costs, 2005)?**

Policy-settings to maximize choice and support those choices around unpaid AND paid care.



- ◆ AMP. NATSEM Paper on The Costs of Caring in Australia (2005) poses in a deliberately controversial way the policy dilemma of care-giving in an ageing society:
- ◆ “Do we commit more public funding to care facilities so more people can be cared for outside the home; or
- ◆ Do we pay home carers more to compensate them for the direct and indirect costs of providing care?”
- ◆ In posing this apparent dichotomy, the AMP. NATSEM Report compels researchers and policy-makers to understand comprehensively the ethics of care, the dynamics and social settings of care-giving and receiving. Choice over the life-course with respect to care provision and receipt requires that both policy paths be pursued.
- ◆ Care cannot be be fully de-familialised or fully commodified, because it is concerned with caring about as well as caring for, because it is emotional and relational, because it incurs not only very substantial costs and but also very substantial worth.

- ◆ **Need to make a case that enables the recognition of care work as something that is worthwhile and necessary, which involves valuing it. Care is the essentially human activity, whereas current policy-dominant thinking in a number of OECD countries including Australia valorizes market work as the essentially human activity (Giullari and Lewis, 2005).**
- ◆ **Valuing care means that we need to consider the way in which care is shared in societies, between men and women at the household level, and between the individual and the collectivity. The current policy debate considers care as something which must be reconciled with employment through conditions properly recognizing caring responsibilities (HREOC, 2005); which must receive compensation, eg through tax rebates so that formal care services may be purchased (Taskforce on Care Costs, 2005); and/or through the enhanced provision of public sector services which support informal care (Fine, 2004).**
- ◆ **All of these approaches are important to consider, however, if it is not possible or not desirable to commodify all care work, then the issue of how it is to be shared at the household and public policy levels must also be addressed.**
- ◆ **Care dilemma of an ageing society, where policy-makers seek to increase the ratio of carers to older age people and those with a disability, at the same time mandating and/or promoting increased labour force participation for women and men until and beyond age pension age: Who will care and how will the care be shared, how will the worth be recognized and costs recompensed?**

- ◆ **Access Economics (2005) *The Economic Value of Informal Care* uses two models to estimate the monetary value of informal care:**
- ◆ **the *opportunity cost model* and the *replacement of services model*. The opportunity costs model estimates the income foregone by carers because they leave employment or reduce the hours of their employment; the replacement of services model estimates the cost of replacing informal care with formal care provision.**
- ◆ **Using the opportunity costs model, the Access Economics Report estimated conservatively the time devoted to informal care, measured as reduction in paid employment, at \$4.9 billion, based on the fact that rates of labour force participation are substantially lower for carers than for other groups of similar ages. What is not costed here is the diminution of leisure time, as well as employment time and the costs to health and well-being. Also not taken into account are the longer-term costs: problems of mature age labour force re-entry.**
- ◆ **Using the replacement of services model, the Report estimated a replacement value of \$30.5 billion, which would be the cost if all hours of informal care were to be replaced by formal care providers.**

- ◆ **Indicative calculations by Access Economics also suggest that the rate of public support for informal care provision (through income support payments, respite care and other carer support programs) is much less than the rate of public support for provision of formal care in the home and for high level residential care.**
- ◆ **Not taken into account in the opportunity cost model: the circumstances of young carers, aged under 25, whose caring responsibilities reduce their participation in education, training employment and reduce their income, not only at the time of caring, but these effects are likely to have a life-course impact.**
- ◆ **Need to develop a longer-term opportunity cost model which estimates the life-course impacts of caring at younger ages, impacting on educational achievement, workforce opportunities, and earnings through the life-course.**

- ◆ **Taskforce on Care Costs (2005) *Creating Choice; Employment and the Costs of Care*: telephone survey of 512 carers in employment, including carers of dependent children, carers of the elderly and for family members with a disability, where the employee was either the direct carer or responsible for arranging care.**
- ◆ **A significant number of people indicated that the costs of care directly impacted on their decisions about employment. Most significant impact was for those with children under school age.**
- ◆ **22.7% indicated that they had considered leaving the workforce because of the costs of care (18.5% of men and 25% of women)**
- ◆ **For people with under school age children: 35.8% had considered leaving the workforce because of the costs of care; 17.8% of those with a school aged child; 20% of people undertaking elder care; 31.3% of people caring for a person with a disability or with chronic ill-health.**

- ◆ In the Taskforce on Care Costs study, employees with caring responsibilities were asked “Would you increase your hours of work if costs care was more affordable?”
 - ◆ Answering yes: those with an under school aged child: 42.5%;
Those with a school aged child: 34.4%
Those undertaking elder care: 30%
Those caring for a person with a disability or chronic illness: 39.6%
Low income respondents (defined as less than \$50,000 PA): 55.4%
High income respondents (defined as \$90,000 and above): 23.1%
- The arguments in the Report are based on the importance of maintaining and increasing labour force participation in an ageing society where the need for care services will increase.

- ◆ **The Taskforce Report concludes: the results demonstrate a direct impact on levels of workforce participation and the costs of care for children, elders and people with a disability. “At present, workers with caring responsibilities lack real choice about working at their optimal levels and choice between employment and caring when the financial costs of care are perceived as too high”.**
- ◆ **Because of the high perceived costs of care, and because the Report suggests that income paid to carers may sometimes be undeclared in the tax system, the Report recommends that:**
- ◆ **A tax rebate for care costs be introduced to offset substantially the costs of providing formal care for children, older and disabled family members, similar to but going beyond the about-to-be introduced tax rebate for child care costs which is set at 30% of out-of-pocket costs, with a cap of \$4,000. The recommendation is that the tax rebate be extended to include elder care and disability care costs, go beyond the 30% level and have no cap applied. This recommendation is not costed and its redistributive implications for families at different income levels not evaluated.**
- ◆ **Also, the Report recommends that the quality and availability of care services be addressed.**

Opportunity Costs: Reduction of labour force participation and income for carers



- ◆ **The Taskforce on Care Costs used evidence from employed carers, looking indirectly at the opportunity costs of care, eg employees stated perceptions that their hours of paid work would be increased if the costs of formal care services were reduced.**
- ◆ **AMP. NATSEM Study on the Cost of Caring in Australia (2005) using data from the ABS Survey of Disability, Ageing and Carers (2003)**
- ◆ **Caring can extract a high price: labour force participation rate**
 - for people with no caring responsibilities: 67.9%**
 - for those with caring responsibilities: 56.1%**
 - for primary carers: 39%.**
- ◆ **Carers earn less and have lower living standards than non-carers: one third of primary carers are in households with equivalent incomes in the poorest one-fifth of households nationally. Only one tenth of primary carer households have incomes in the top quintile of the income distribution. Income loss may be felt through the life-course: superannuation diminution with impacts on retirement incomes, difficulties with workforce re-entry when care-giving ceases, and effects on health and well-being which also entail costs.**

- ◆ Considering the impacts of caring located within three frameworks (Daly and Lewis, 2000):
- ◆ ***Care as labour.*** Care of children, care of adults who are frail elderly, have a disability or chronic illness involves time which in every sense is work: Bittman et al (2005) using ABS Time Use Survey found that most caregivers undertake the equivalent of a part-time job to assist and support a family member or friend. Over a quarter of Australian households caring for an adult or child provide the equivalent of a full-time employee's labour (40 hours or more per week), and another quarter work between 20-39 total weekly hours to provide informal care.
- ◆ ***Care located within a normative framework of obligations and responsibility.*** This is why policy development cannot look only to commodified solutions, since care-giving and receiving involve a relationship from which both may parties derive benefits, as well as costs.
- ◆ ***Care as an activity with financial and emotional costs.*** The costs involved are reduction of labour force participation, reduction of income, emotional and health-related costs. These are not just point-in-time costs, but may have life-course impacts on employment and income history, and on retirement incomes.

- ◆ **Beyond the analysis of informal care as an individualized, family-embedded set of activities and relationships, incurring privately-borne costs (and benefits), public policies lie at the heart of the formal shaping and determination of caring relationship;**
- ◆ **Care must be understood within a policy framework: what are the impacts of federal and state social policy systems, family and carer income support, housing, employment conditions, family services, education, physical and mental health services on the circumstances and wellbeing of carers?**
- ◆ **Reciprocally, how are policies shaped by the expectation that care will be carried out within a normative framework of obligation and responsibility, which may be used to diminish the public responsibility to share the costs of these supportive and beneficial relationships?**
- ◆ **We should be developing conceptualizations and estimations of the “worth” of care, rather than focusing only the costs of care. Caregiving and receiving is a relationship, providing worth and value to all participants in the private sphere and to society and government in the public sphere.**
- ◆ **Opportunity cost models of estimating the worth of care and its costs should not only be point-in-time, but look also to the potential impact of care-giving over the life-course.**

- ◆ **Given the worth of care, and that fact that it can never be fully commodified, policy must consider the policy settings in which costs can be better shared: at the level of the household (gendered questions) and at the level of compensation for and accommodation of the direct and indirect costs of care (public policy and workplace policies).**
- ◆ **The observation that the public policy income stream to informal carers is considerably less than the income stream to formal services warrants further policy debate.**
- ◆ **There is need for policies which support informal care; policies which provide appropriate and adequate income support; respite care; flexible education and training for young carers; flexible employment conditions within workplaces for all carers; education and training for people returning to the workforce when they no longer have caring responsibilities. Also, attention must be given to the quality, availability and costs of formal care provision and how most equitably and effectively to make this provision.**
- ◆ **Whatever the combinations of formal and informal care considered optimal in each family, care giving provides one of the most valuable sources of human and social participation. And as with all such human endeavours, the importance of researchers, governments, non-government welfare organisations and the business sector working together to consider equitable and effective public policies to support the work of care is paramount.**

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