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WHAT'S THE COST OF CARING: THE CAREGIVERS OF PEOPLE WITH DISABILITIES

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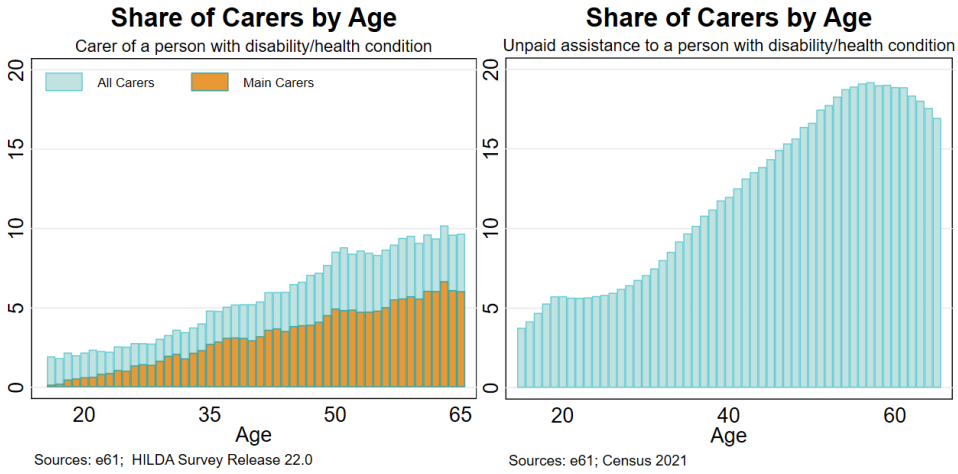
Approximately 1 in 10 working-age Australians provide unpaid care to people with disabilities, long-term health issues, or age-related conditions. This raises the important question of how caregiving impacts employment prospects, life satisfaction, and the mental health of those who provide care. Our findings show that:

- Around 59% of future caregivers are employed in the year before they become caregivers. This drops to 56% once they start providing care.
- Within two years, the size of these effects diminishes but does not disappear for primary caregivers.
- Life satisfaction and mental health of caregivers also deteriorate in the years following the start of caregiving.

Overall, our results show that informal caregiving responsibilities have significant costs for those who provide these services; however, the overall labour market effects appear to be moderate.

A significant number of Australians provide unpaid care for someone with diminished capacity (due to disability or age). In 2021, 11.7% of the working-age population in Australia provided unpaid care to family members or others with disabilities, long-term health conditions, or issues related to old age (Census, 2021).[1] The percentage of caregivers varied by age group, ranging from 3.8% among people aged 15 to 19.2% among those aged 57 (Figure 1).[2]

Figure 1: Share of Carers by Age



Census data also highlight that these duties may limit labour market opportunities for those who provide unpaid care. Across all age groups, the employment rate of carers is 57%, less than 62.2% of those without caregiving responsibilities. Furthermore, their likelihood of being out of the labour force is higher, at 39%, compared to 34% for those without caregiving duties.

1 According to Census 2016 data, the proportion of the working-age population providing unpaid care was 11.26%.
2 According to Household, Income, and Labour Dynamics in Australia (HILDA) Survey, on average 3 % of working age population is the main carer of a resident or non-resident person (Figure 1).

What are the labour market effects of caring?

A large pool of potential workers drawn into informal caregiving duties may act as a handbrake on labour force participation and restrict the labour market opportunities of those providing care. In the Productivity Commission (2017) NDIS cost report, a significant increase in labour market participation was noted as an expected benefit of the NDIS.

We can analyse how significant this issue is by looking at what happens to the labour market outcomes of those who take on caring duties. Specifically, we consider the employment trajectories of those who transition into caregiving, using the Household, Income, and Labour Dynamics in Australia (HILDA) survey.[3]

During the year people declare their active caregiving responsibilities (year 0), we observe a significant decline in employment and hours of work (see Figures 2 and 3).

Figure 2: Labour Market Outcomes of Carers

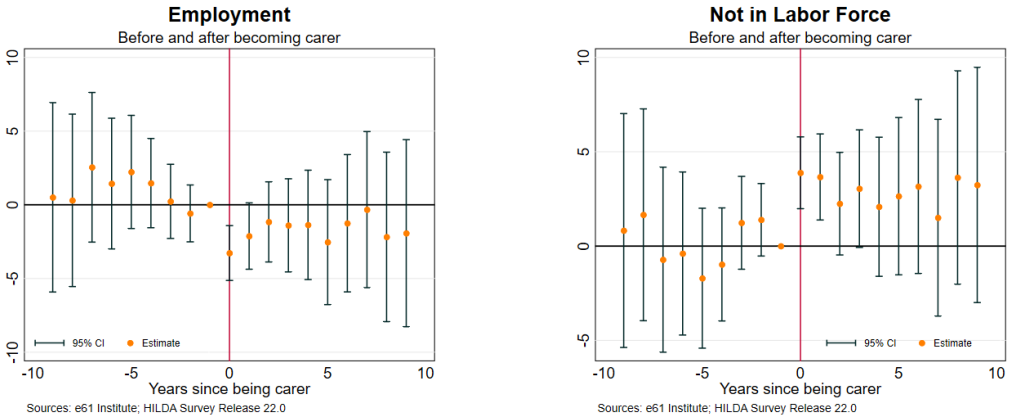
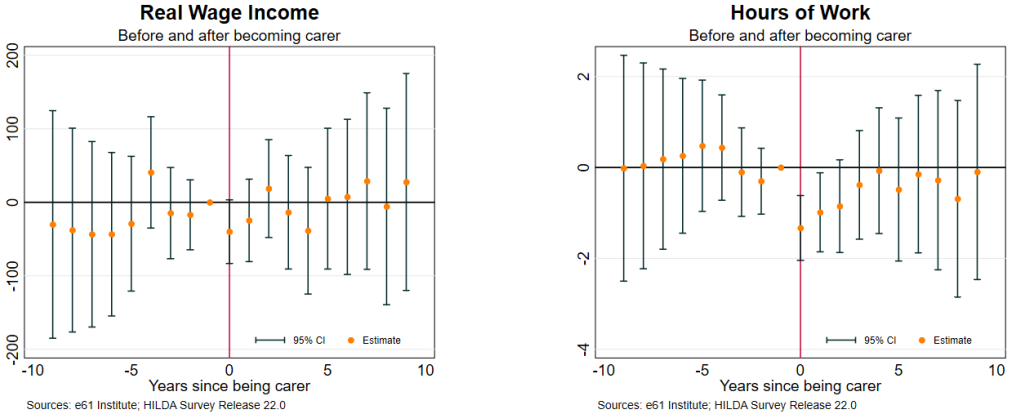


Figure 3: Real Income and Hours of Work of Carers



Caregivers on average experience a 3.3 percentage point (ppt) decrease in their employment probabilities in the year they undertake caring responsibilities, representing a 5.6% decline. In that same year, we also observe a 3.9 ppt increase in the probability that they are out of the labour force, which corresponds to a 12% increase. Additionally, we observe that their hours of work decrease by 1.3 hours per week, and their fortnightly real income decreases by $40 relative to the year before they assume the caring role.

In economic terms, these initial effects on the labour market are substantial; the changes in the labour market outcomes are similar in magnitude to those expected if individuals experienced a 10 ppt increase in income tax rates (Dandie & Mercante, 2007). However, after 1-2 years, this deterioration in labour market effects moderate for these informal carers. For main carers, the long-term effects are more persistent but not statistically significant (see Figure A.7).

Overall, informal caregiving duties can be challenging and detrimental for those who must adjust their life circumstances to meet these needs - something we will discuss more in detail in future work (Akyol & Nolan, 2024). However, the labour market potential that could be unlocked by supporting these caregivers is more limited than sometimes suggested.

3 We exclude carers of young kids (younger than 15 years-old) in our main analysis, but present the results in Figures A.4 and A.5 by including them in our sample.

References

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A.1. Regression specification

In our analysis, we use the following specification:

$$y_{it} = \alpha_i + \gamma_t + \sum_{j=0}^{M} \gamma_j leads_j + \sum_{k=1}^{N} \eta_k lags_k + \beta X_{it} + \epsilon_{it} \quad (1)$$

where y_{it} represents the outcome variable for individual i during year t. α_i is the individual-specific fixed effects. γ_t denotes the year fixed effects. X_{it} includes time-varying characteristics specific to individuals, such as age, age squared, region of residence, and dummies for completed education level (university and TAFE). $leads_j$ are binary variables representing the years before an individual became a carer. $lags_k$ are binary variables representing the years following an individual started to care a person with disability. The year before an individual became a carer is used as the reference period for our analysis.

A.2. Descriptive Statistics

Table A.1: Descriptive Statistics

	Year = -1 & Carer		*Year = -1 & Main Carer*		*Year = 0 & Carer*		*Year = 0 & Main Carer*	
	Mean	**Std.Dev.**	**Mean**	**Std.Dev.**	**Mean**	**Std.Dev.**	**Mean**	**Std.Dev.**
Male	0.42	0.49	0.36	0.48	0.42	0.49	0.37	0.48
Age	42.77	14.68	46.35	12.80	43.06	15.13	47.11	12.97
University educated	0.17	0.37	0.17	0.38	0.16	0.37	0.16	0.37
TAFE educated	0.31	0.46	0.33	0.47	0.32	0.46	0.35	0.48
Employment	0.59	0.49	0.57	0.50	0.55	0.50	0.51	0.50
Not in the labour force	0.32	0.47	0.36	0.48	0.39	0.49	0.44	0.50
Hours of Work	35.15	16.16	35.00	16.53	34.46	15.80	33.88	15.88
Hours of Work (Uncond.)	20.86	21.29	19.80	21.35	18.73	20.75	17.13	20.36
Real Wage Income	1745.28	1539.12	1691.86	1441.33	1720.90	1504.39	1696.37	1448.14
Real Wage Income (Uncond.)	1058.88	1464.81	974.47	1370.72	888.60	1378.30	821.57	1313.63
Mental Health	68.88	19.74	68.28	19.95	67.59	19.63	67.13	19.85
Life Satisfaction	7.66	1.64	7.60	1.70	7.57	1.76	7.50	1.81
Carer Allowance	0.04	0.20	0.06	0.23	0.12	0.32	0.16	0.37
Carer Payment	0.06	0.24	0.09	0.28	0.13	0.34	0.18	0.39
Carer	0.00	0.00	0.00	0.00	1.00	0.00	1.00	0.00
Main Carer	0.00	0.00	0.00	0.00	0.69	0.46	1.00	0.00

A.3. Additional Figures

In this section, we present the results related to receiving carer allowance and carer payment and also conditional real wage income and conditional hours of work. These results show that in the year people report having a carer duty they are 5.5 ppt and 5 ppt more likely to receive carer allowance and carer payment, respectively, relative to a year before, with a larger effect in the second year (9.42 ppt and 8.8 ppt). The results on conditional hours of work and wage income do not provide any apparent change in these outcomes after resuming carer role relative to the previous year.

Figure A.1: Carer Allowance and Carer Payment

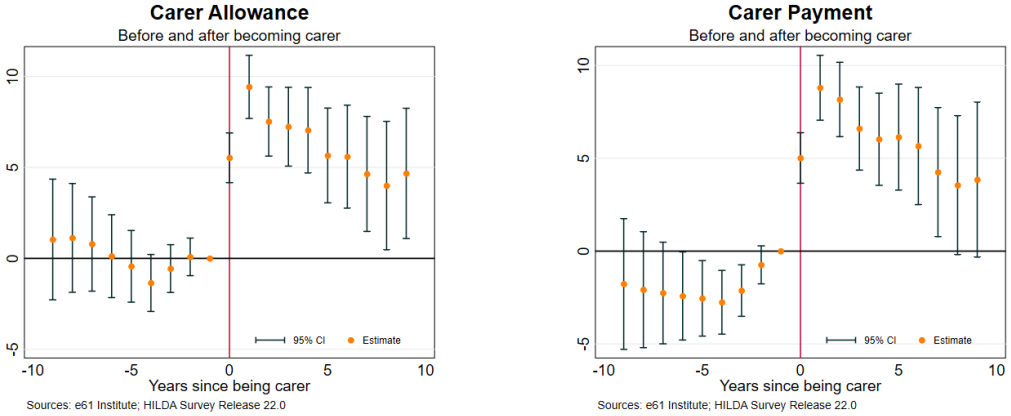
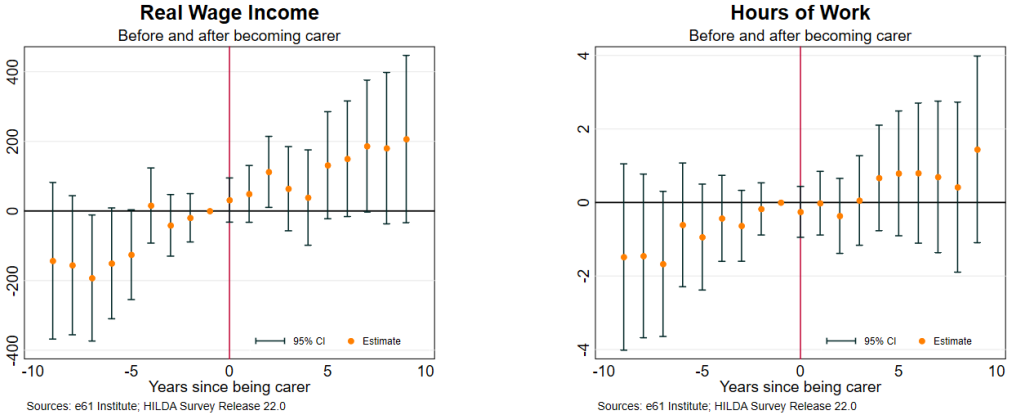


Figure A.2: Real Income and Hours of Work of Carers (Working Sample)



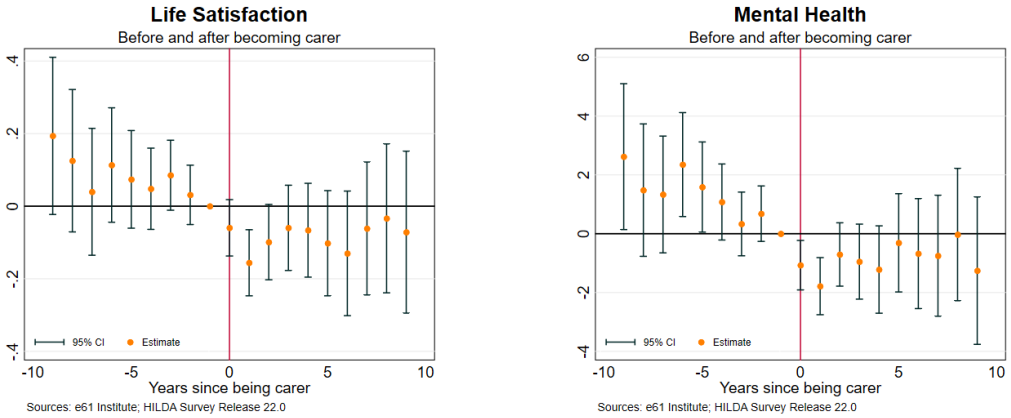
A.4. Life Satisfaction and Mental Health

We can also use the same approach to investigate the change in caregivers' life satisfaction[4] and mental health outcomes[5](see Figure A.3). Our results indicate a gradual decrease in life satisfaction in the years following the undertaking of care duties relative to the year before. The evidence we observe for mental health is weaker, though we observe a decline in mental health score in the year following the undertaking of care duties relative to the year before. It increases back in the following years.

Overall, these findings reveal that assuming caregiving responsibilities has a negative impact on the labor market outcomes and life satisfaction of caregivers.

4 Life satisfaction is a measure changes from 0 to 10, 0 being totally dissatisfied and 10 being totally satisfied
5 The mental health scale is created according to Ware et al., 2000. This is a score between 0-100; a higher scale indicates better mental health.

Figure A.3: Life Satisfaction and Mental Health Outcomes of Carers



A.5. Results with the sample including the carers of young children

In this subsection, we present the results by including the caregivers of young children with health problems (younger than 15 years-old) in our analysis. These results are in line with our main results.

Figure A.4: Carers of People with Health Conditions including Young Children

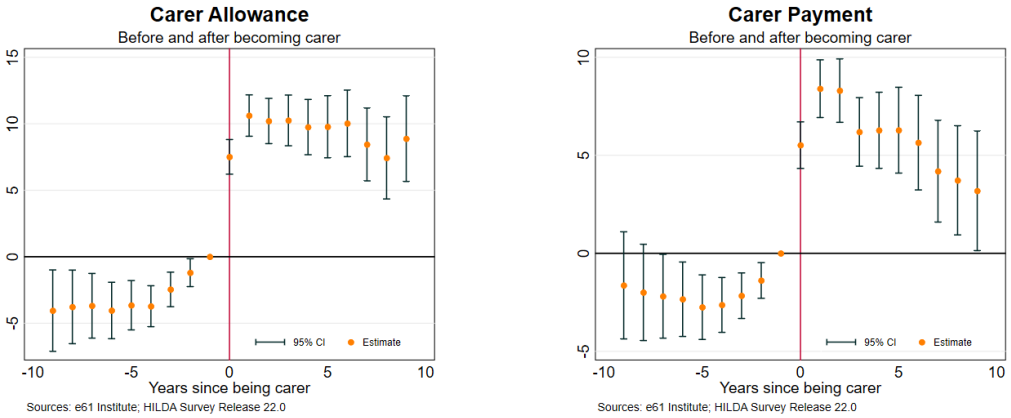
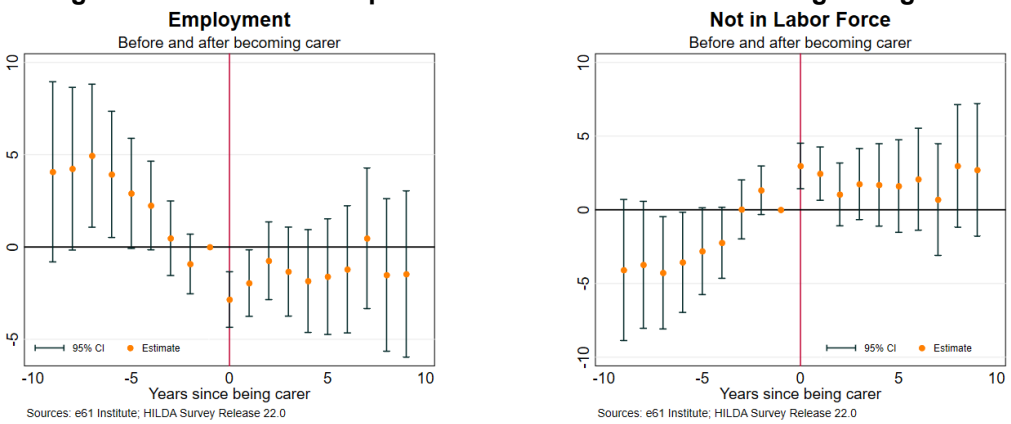


Figure A.5: Carers of People with Health Conditions including Young Children



A.6. Main Carers

In our main analysis, we focus on caregivers of household members who have long-term health conditions or disabilities. HILDA also includes a broad measure of intensity of care, providing information on whether the person is the main caregiver of a resident person or shares the care duty with others. In this section, we repeat our analysis with the main caregivers and the shared caregivers, excluding the main caregivers, to examine whether we observe similar patterns. We observe a similar pattern for main caregivers who are the sole caregivers for a resident person (see Figures A.6, A.7 and A.8). When we examine caregivers who share the care duty with others excluding main caregivers, we only observe a small jump in the probability of getting carer payment, but we do not observe significant changes either in labour market outcomes or in their life satisfaction and mental health. These results show that changes in the outcomes of caregivers of household members are driven by those who take the full responsibility of the person who needs care.

Figure A.6: Main Caregiver's Probability of Being in Carer Allowance or Carer Payment

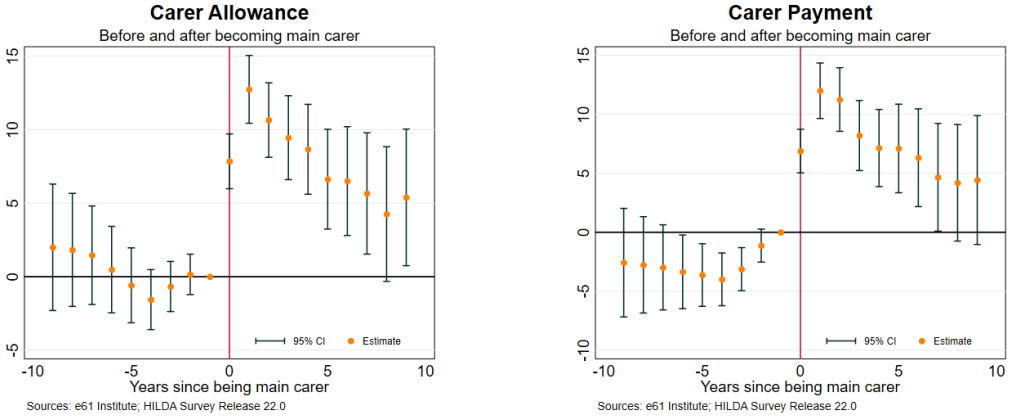


Figure A.7: Main Caregiver's Labour Market Outcomes

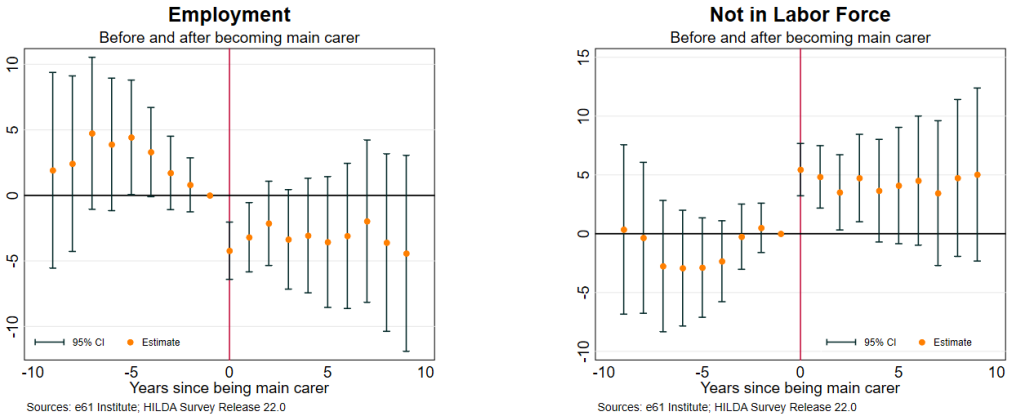


Figure A.8: Main Caregiver's Mental Health and Life Satisfaction

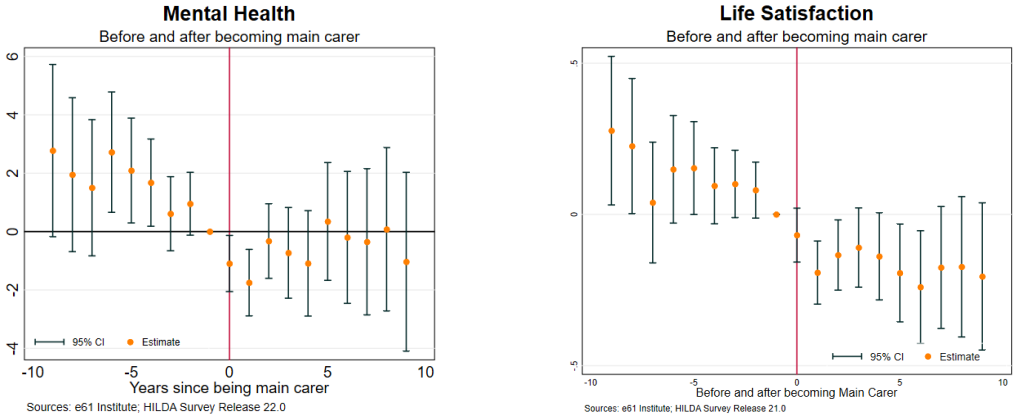


Figure A.9: Shared Caregiver's Probability of Being in Carer Allowance or Carer Payment

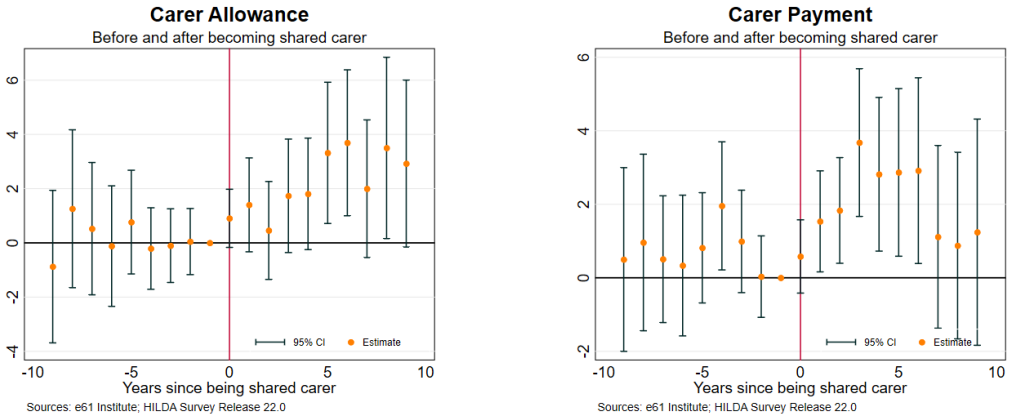


Figure A.10: Shared Caregiver's Labour Market Outcomes

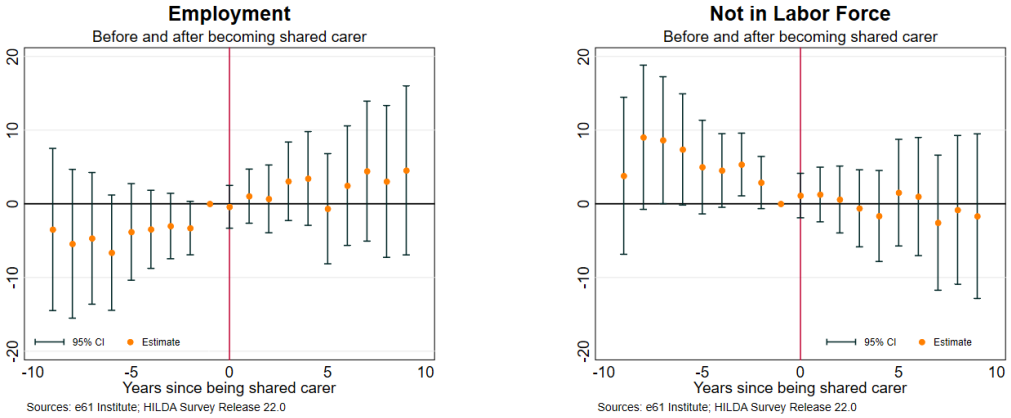
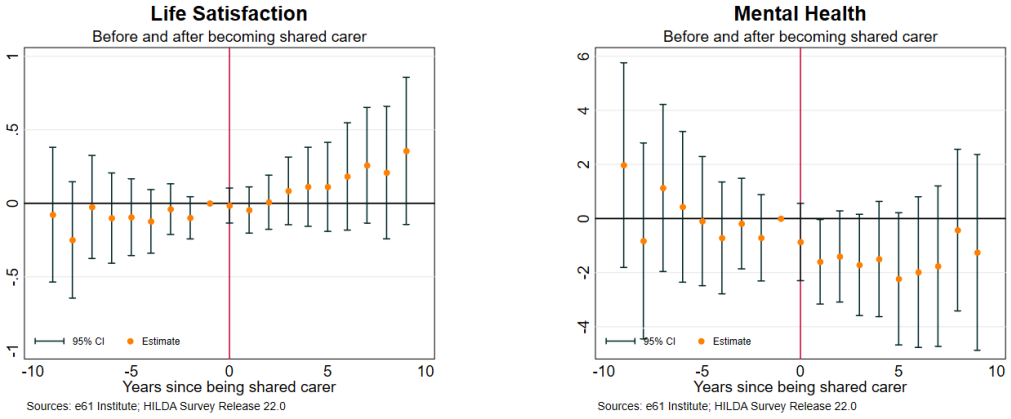


Figure A.11: Shared Caregiver's Mental Health and Life Satisfaction



A.7. HILDA Disclaimer

This paper uses unit record data from Household, Income and Labour Dynamics in Australia Survey [HILDA] conducted by the Australian Government Department of Social Services (DSS). The findings and views reported in this paper, however, are those of the authors and should not be attributed to the Australian Government, DSS, or any of DSS' contractors or partners. DOI:10.26193/24EJST