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## The Health and Pension Costs of Caregiving

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When we retire from work, most of us expect that we will receive income from an employer- or government-based pension system. Employer-based pension systems are closely tied to work effort, with any time away from work having a negative impact on pension savings. While we know quite a lot about adults who have caregiving responsibilities for elderly relatives, little is known about the balancing of work and family life among adults who are parent-carers, having caregiving responsibilities for adult children with disabilities.<sup>1</sup> The life course choices made by parent-carers may be quite different, as these are adults who have experienced much longer periods of caregiving. Nine percent of working-age adults in the U.S. identify themselves as a caregiver.<sup>2</sup> While the proportion of adults with disabilities who are cared for informally within their families may not be increasing significantly, their family caregivers are ageing and the public programmes and policies designed to support these adults with disabilities are not keeping pace with population growth.<sup>3</sup> In the U.S., 70 per cent of working-age adults with disabilities live with relatives; 55 per cent with a parent who is age 60 or older.<sup>4</sup>

Although adults who are healthier are more likely to take up a caregiving role,<sup>5</sup> evidence consistently shows that those who provide care of all types have worse mental<sup>6</sup> and physical health status<sup>7</sup> than their non-caregiving counterparts. Caregiving tends to follow traditional gender roles; two-thirds of identified caregivers are women. When providing care, women tend to spend more hours than men do.<sup>17</sup>

### Definitions and survey data

To better understand the health and pension costs of caregiving, we use survey data collected by the U.S. Census Bureau to examine the health status of women in the U.S. by caregiving experience, and whether these women are more or less likely to hold a pension in their own name.<sup>8</sup> We also examine whether there is a significant difference

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- 2 Ho, A., Collins, S.R., Davis, K. and Doty, M.M. (2005) *A look at working-age caregivers' roles, health concerns, and need for support*, Issue Brief, The Commonwealth Fund Publication No. 854, from [http://www.commonwealthfund.org/~media/files/publications/issue-brief/2005/aug/a-look-at-working-age-caregivers-roles--health-concerns--and-need-for-support/854\\_ho\\_lookatworkingcaregiversroles\\_ib-pdf.pdf](http://www.commonwealthfund.org/~media/files/publications/issue-brief/2005/aug/a-look-at-working-age-caregivers-roles--health-concerns--and-need-for-support/854_ho_lookatworkingcaregiversroles_ib-pdf.pdf), accessed 6 September 2014.
- 3 Fujiura, G.T. (2014) 'The political arithmetic of disability and the American family: A demographic perspective', *Family Relations* 63(1): 7–19.
- 4 Easter Seals (2010) *Living with Disabilities Study: Key Findings*, from [http://oakwealth.com/wp-content/uploads/2013/11/Easter\\_Seals\\_Living\\_with\\_Disabilities\\_Summary.pdf](http://oakwealth.com/wp-content/uploads/2013/11/Easter_Seals_Living_with_Disabilities_Summary.pdf), accessed 21 June 2015.
- 5 National Alliance for Caregiving (2015) *Caregiving in the U.S. 2015*, from <http://www.caregiving.org/caregiving2015/>, accessed 15 September 2015.
- 6 Miodrag, N., Burke, M., Tanner-Smith, E. and Hodapp, R.M. (2015) 'Adverse health in parents of children with disabilities and chronic health conditions: A meta-analysis using the Parenting Stress Index's Health Sub-domain', *Journal of Intellectual Disability Research* 59(3): 257–271.
- 7 Pinquart, M. and Sörenson, S. (2007) 'Correlates of physical health of informal caregivers: A meta-analysis', *Journal of Gerontology: Psychological Sciences* 62(2): 126–137.
- 8 Data from the 2001, 2004 and 2008 panels of the Survey of Income and Program Participation (SIPP) are used for this project. The SIPP is a multi-panel longitudinal survey conducted since 1984 by the U.S. Census Bureau and is commonly used in disability policy research. Available at: <http://www.census.gov/sipp/>

in the value of private pension holdings, given age and health status, and whether these differences persist when total household pension values are compared among women who are, or are not, caregivers.

In the U.S., there are government-based pension systems (federal, state and local), and two main forms of employer-based pension systems. Virtually all Americans are entitled to receive a pension through the federal Social Security system, so in this study, we focus on the two forms of employer-based systems—defined benefits and defined contributions. Defined benefit (DB) plans are those offered by employers in which the value of the pension at retirement is based on some combination of earnings over a period of years and years of work for

this specific employer. The benefit at retirement is defined, but the contribution from each employee towards that benefit may vary by employer. Defined contribution (DC) plans are those in which the employer offers a pre-tax retirement savings plan into which the employee contributes some percent of earnings each month. The employer may or may not also contribute money, in the form of matched savings, to this plan. There is another, smaller category of defined contribution pension in which the employee has opened a private, non-employer-based, individual retirement account (IRA). The benefits at retirement in both the DC and IRA plans are whatever the employee has managed to save, which in the DC plan may include some contribution by their employer. The benefits of the DC and IRA plans are that they are owned by the employee and are portable as employees move to different employers.

Using sample survey data representative of the U.S. population between 2001 and 2008, we define women, ages 40–69 and not yet retired, as caregivers if they report having not worked or having taken time off work to care for others, or if they report having provided care for someone in or out of the home in the month prior to the survey. There are 40,552 women included in this study. These women are divided into four categories of caregiving: those who care for a minor child (under age 19, 27.3 per cent of the sample), an older adult (age 65 or older, 2.4 per cent), a working-age adult with a disability (ages 19–64, 1.2 per cent), or no one (71.2 per cent). A small proportion of women report more than one caregiving category. Just over 60 per cent of women report owning a DC and/or DB pension plan, with an average value of USD 46,453 among those who have pension savings. Household pension values for this group are larger, at USD 108,709 on average. Eighty-three per cent of these women report having worked at a paid job for at least six months of their adult life; two-thirds report they mostly work full time. Sixty-five per cent of these women report they are married, another 25 per cent reporting they are divorced, widowed, or separated from their husbands, and the remainder have never been married. Fifty-five per cent report their health status as very good or excellent.

### Health status and pension values

In Table 1, the women are divided into categories based on caregiving. These bivariate results suggest there are significant pension costs associated with caregiving, particularly for those caring for a working-age adult with a disability or for an older adult. There are also significant differences in reported health status, with those caring for no one or for a minor child much more likely to report excellent or very good health status and much less likely to report fair or poor health status than those caring for a working-age adult with disabilities or an older adult.

We estimate both the odds of owning or participating in a personal pension savings plan (DB, DC or IRA) and the value of pension savings, controlling for age, marital status, education, race/ethnicity, percent of time off work, and whether most work was full time. The odds of having personal pension savings are 27.5 per cent lower than average if caregiving was for an adult with disabilities, 28 per cent lower if caregiving was for an older adult, 38 per cent higher if caregiving was for a minor child, and 44 per cent higher if the woman was never a caregiver. The odds of owning or participating in a personal pension plan are 22 per cent lower if health status is good and 66 per cent lower if health status is fair or poor rather than excellent or very good. Figure 1 shows the value of individual and household pension savings, relative to the mean value, by caregiving category. The household mean pension value is USD 63,670. The individual mean pension value is USD 30,805. We further examine the interplay among health, caregiving status and individual pension value. We find that health status is a significant mediating factor,



accounting for just over 26 per cent of the effect of caregiving on individual pension value for those caring for either an adult with disabilities or an older adult.

**Table 1: Pension ownership and value, and health status by caregiving category (USD)**

Caregiver for:	No one	Adult w/disability	Older adult	Minor child
Defined contribution plan/IRA (%)*	44.0	22.5	26.3	43.1
• value of plan if owned (current workers only) (USD)*	47,973	32,767	34,965	45,503
Defined benefit plan (%)*	17.7	9.5	8.9	16.8
Household pension savings (%)*	59.2	35.2	43.8	65.6
• value of household pensions if owned (USD)*	106,831	82,177	87,590	113,740
Household net worth (USD)*	271,078	199,237	228,049	353,066
Months off work (mean)*	6.3	34.7	38.5	44.3
• as a share of adult years (%)*	1.5	8.5	9.3	11.0
Health status is excellent or very good (%)*	54.6	37.0	37.9	58.5
Health status is fair or poor (%)*	16.4	24.9	23.6	13.5

\* Significant difference between categories; red print highlights caregiving categories that are significantly different from non-caregivers.

## Conclusions and discussion

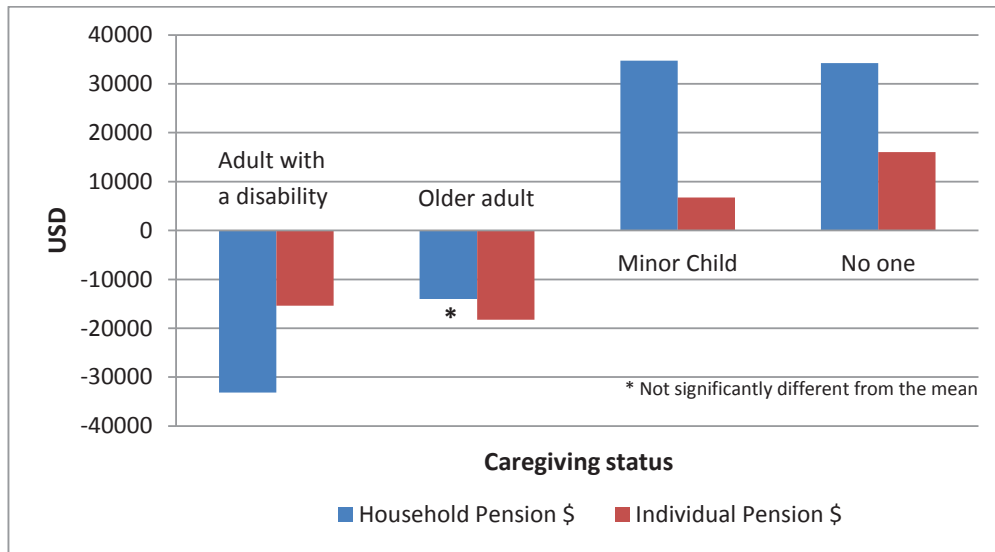
Caring for a working-age adult with disabilities has a disproportionate and negative association with participation and value of savings held in pension plans, even at the household level. Health status mediates the relationship between caregiving and pension values. Lower health status among caregivers has an impact on work history over the life course, ultimately influencing the value of work-related personal pensions, and possibly the value of federal Social Security benefits as well.

Caregiver credits are nearly universal in the EU, though mostly for child care. Some developed countries pay contributions for mothers who have never worked or who have taken a career break. Some countries split household contributions towards national pension systems, allocating half to the account of each spouse. Most of these countries also have strong supports for working parents through other public social systems.

One positive policy direction in the U.S. is the Achieving a Better Life Experience (ABLE) Act, enacted in December 2014 and effective in each state as soon as implementing legislation is passed at the state level.<sup>9</sup> This legislation is similar to state 529 plans for education, allowing people with disabilities (identified before age 26) to open special accounts where they can save up to USD 100,000 (USD 14,000 per year) without risking eligibility for Social Security and other government programmes. Funds accrued in ABLE accounts can be used to pay for education, health care, transportation, housing and other expenses.

<sup>9</sup> <https://www.congress.gov/bill/113th-congress/house-bill/647>

**Figure 1: Individual and household pension savings, non-retired women ages 40–69, by caregiving status**



As the baby boom generation in the U.S. retires, political focus on pension policy and on costly health-care programmes, both public and private, are already beginning to intensify. These results provide a better understanding of factors that may influence pension savings, income, and health status of parents by their caregiving role. Especially for a relatively small but very important group, parent-carers, greater attention is needed in addressing influential risk factors (e.g. health status) that relate to their pension savings.