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Research Report

Lasting negative impacts of family care provision on employment

RWI Impact Notes

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Lasting negative impacts of family care provision on employment

Family caregivers are less likely to be in the labor force after taking care of an elderly parent; men are more strongly affected than women

The share of the population aged 80 and older will double by 2050. This development spurs a considerable increase in the demand for long-term care. Supporting informal care provision by family members is the most common policy choice in European countries. This form of care is regarded to be less expensive than formal care in nursing homes. New research by RWI on European data shows: Family caregiving has serious lasting effects on the employment probability of the caregiver. Policy makers need to consider these long-term costs when designing interventions to meet the challenges caused by demographic change.

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MAIN FACTS

Facing a rising share of the population aged 80 and older, governments need to design policy interventions to meet an increasing demand for long-term care.

Informal care provision by family members is considered the least expensive form of care. This view ignores long-term costs for the caregiver.

Based on European data, a new RWI study finds that care provision has lasting negative impacts on the employment probability of the caregiver. Men are more strongly affected than women.

Why is informal caregiving an important pillar in the caregiving system of European countries?

Around 6% of the population in OECD countries is aged 80 and over. By 2050, this share will double – with considerable implications for the demand for long-term care and public expenses. As of today, average public and private spending for long-term care amounts to 1.5% of the gross domestic product (GDP) across OECD countries. According to projections, these costs will double or triple by 2050. Long-term care can be provided in two ways: by nurses either in nursing homes or the elderly person's home (formal care) or by family members (informal care). Some European countries with strong public institutions – such as Sweden or Denmark – have put emphasis on formal care. Most other countries prioritize informal care; it is regarded to be less expensive. New research by RWI finds: this budgetary view ignores substantial long-term costs which the family caregiver incurs.

What are the hidden costs of informal caregiving?

Based on data for the population 50+ in Europe and Israel, the RWI analysis shows that in the years 2004 to 2015 family care provision had lasting negative effects on labor force participation of the caregiver. The group of employees who took

care of an elderly parent did not only take a leave from work during the time of care provision more often than those not providing care. They were also less likely to be employed afterwards. Recent caregiving reduces the employment probability by up to 7 (women) and 12 (men) %-points, while past caregiving leads to a reduction of up to 3 to 8%-points. Compared to an employment probability of 70% in that age group, this is a fairly large long-term effect of 4 to 11%.

Why are male caregivers differently affected than female caregivers?

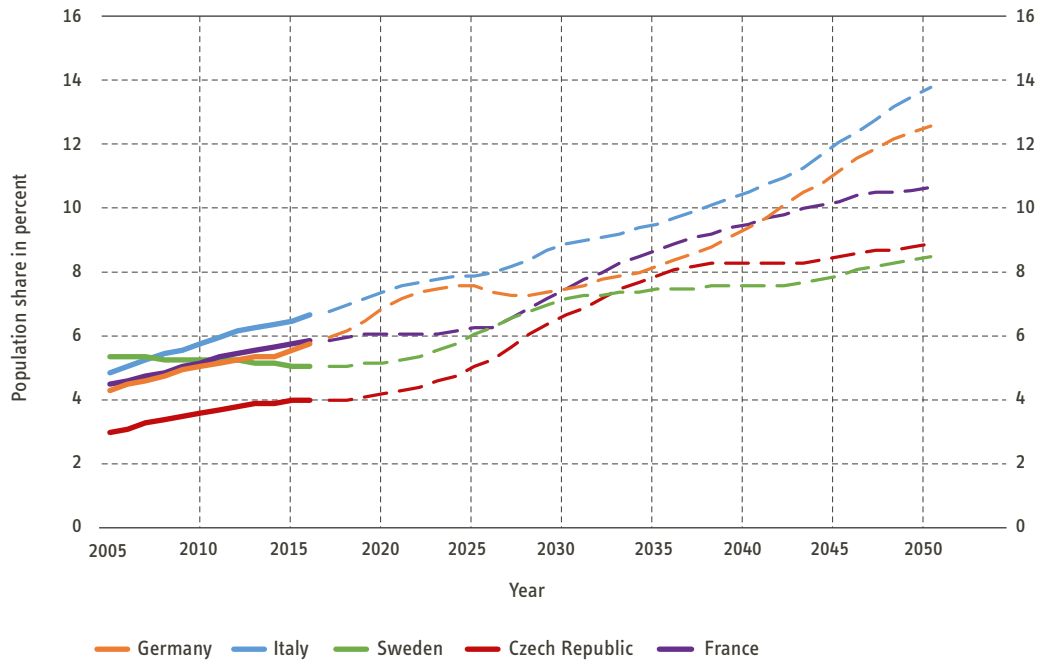
There are two possible explanations why caregiving has a larger negative effect for men. First, women more often work part-time than men. For them it might be easier to re-enter the labor force working only a few hours or in low skilled jobs in which breaks in the employment history are not as big a barrier as for traditionally male dominated full-time positions. Second, women provide care more frequently. It might therefore be perceived as the social norm. In contrast, if a man reduces working hours or pauses his job to provide care for his parent, this violates the norm. He might be regarded as less career driven and encounter problems to re-enter work at his former career level.

Sources:

Share of population aged 80 and older: past development and projections

Heger, D., and T. Korfhage (2017): Does the negative effect of caregiving on work persist over time? Ruhr Economic Paper #703. http://www.rwi-essen.de/media/content/pages/publikationen/ruhr-economic-papers/rep_17_703.pdf

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Source: Eurostat.

Policy Recommendations

i When considering different options for meeting the increasing demand for care provision, policy makers need to take into account the non-budgetary costs of informal care.

i In several countries, policymakers have become aware of the hidden costs of informal care provision and introduced regulations allowing paid or unpaid care leave. However, even paid leave options do not take into account the long-term consequences of caregiving. Policies supporting working-age caregivers should be evaluated whether they reduce short- and long-term employment penalties.

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