



139 Report by Karl Brenke, Thore Schlaak, and Leopold Ringwald

Social services: a rapidly growing economic sector

- Employment in the social services sector has grown more strongly than in the economy as a whole
- Characteristic features of this sector are a high level of labor intensity and wage levels far below the average

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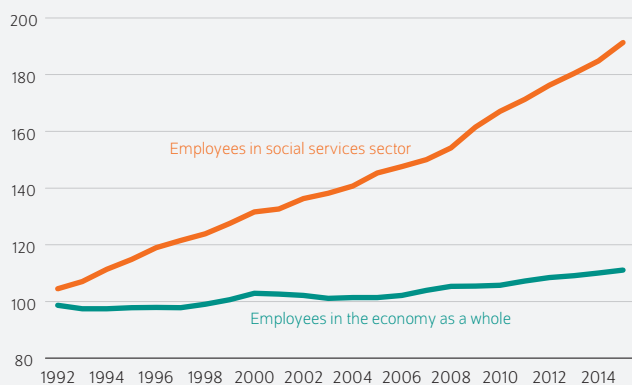
Social services: a rapidly growing economic sector

By Karl Brenke, Thore Schlaak, and Leopold Ringwald

- The social services sector is growing strongly in Germany and almost everywhere in the European Union
- In Germany, employment in the social services sector has grown more strongly than in the economy as a whole
- Characteristic features of this sector are a high level of labor intensity and wage levels far below the average
- The wage level is low not only for caretakers, but for skilled workers as well, even though there is a lack of qualified personnel
- A sufficient labor supply—especially in caretaking—requires adequate compensation

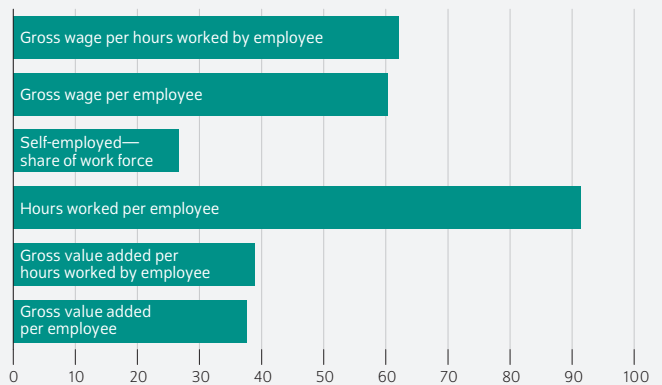
Employment in the social services sector in Germany

Development of employment in the social services sector and in the economy as a whole
Index, 1991=100



Sources: Federal Statistical Office, authors' own calculations.

Social services sector in comparison to the economy as a whole, 2015
Relative to average in percent



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FROM THE AUTHORS

“There is a characteristic, home-made shortage of skilled workers and it will be difficult to combat this problem with the current expenditure on social services.”

— Karl Brenke —

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Social services: a rapidly growing economic sector

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ABSTRACT

The social services sector has experienced growth at a far above-average pace in the past, and employment has even accelerated since the middle of the past decade. This is due to a strong increase in demand for this sector's services as a result of an aging society and from increasing tasks to solve problems in families. The influx of refugees has also affected demand. Almost everywhere in the EU, the social services sector is being strongly expanded. The sector's structures are similar across countries: very marked labor intensiveness and a wage level significantly below the national average, resulting in low measured productivity. In Germany, the gap between the wages in the social services sector and the average wage level is especially large. In part, the gap is explained by the fact that a relatively large number of unskilled workers are employed in the social services. However, skilled workers are also paid comparatively little. While wages in the social services sector have risen relatively strongly recently, there is still the problem of finding qualified people to work in what is likely to be a rapidly growing industry. Society must therefore ask itself how much value it wants to place on a sufficient supply of social services in the future, especially in regard to caretakers.

In this study, we will focus on social services, an economic sector which until now has received little attention.¹ This is perhaps due to the fact that the sector's economic performance is barely affected by economic cycles and therefore, does not have its own sub-annual statistics, unlike the manufacturing, construction, and retail industries, whose capacity utilization varies widely. Moreover, the social services sector is not especially relevant to economic output; it contributes just under two percent of the total gross added value. Nevertheless, its development is interesting—in particular because of its importance in employment development, as we will show.

In the current classifications of economic sectors,² the social services sector as defined here is divided into two subsectors: “homes (excluding recreation and holiday homes)” and “other social services (excluding homes).” When possible, both subsectors were combined in this study.³

The following study is a sort of puzzle that collects from various, generally accessible, and mostly official data snippets and puts them together to form an overall picture. The data varies in terms of being up-to-date. Thus, information taken from the national accounts only goes up to 2015, since information in a detailed breakdown of the economic sectors is calculated by the statistical offices with considerable delay. Other sources are more up-to-date, such as employee salary statistics and statistics on employees subject to social security contributions. However, neither dataset goes back very far. The employee salary statistics for the current reporting population only began in 2007, and the statistics on employees subject to social security contributions have only been in their current form since 2008 due to

¹ A short-term study on behalf of the Friedrich Ebert Foundation shows there is an exception in Germany—cf. Oliver Ehrentraut et al., “Die Sozialwirtschaft und ihre volkswirtschaftliche Bedeutung,” *WISO direkt* (March 2014) (in German).

² Cf. Eurostat, “NACE Rev. 2. Statistische Systematik der Wirtschaftszweige in der Europäischen Union,” (methodologies and working papers, Luxembourg) (in German).

³ It would also be conceivable to call the industry a “social economy.” However, this term is already taken and used as a legal definition primarily referring to cooperative activities in the social and housing sectors. Cf. i.a. Europäischer Wirtschafts- und Sozialausschuss, *Die jüngsten Entwicklungen der Sozialwirtschaft in der Europäischen Union* (Brussels, 2017) (in German) as well as Jost W. Kramer, “Sozialwirtschaft – Zur inhaltlichen Strukturierung eines unklaren Begriffs,” *Wismar Discussion Papers* Nr. 6 (2006) (in German).

Table 1

The development of the social services sector

In percent

	1993–1999	1999–2003	2003–2009	2009–2015	1993–2015
	Average annual growth rate				
Social services sector					
Gross value added – real ¹	5.9	2.0	3.1	2.9	3.6
Employees	3.0	2.0	2.6	2.9	2.7
Hours worked	2.3	1.6	1.5	2.9	2.1
Gross value added ¹ per hour worked	3.6	0.4	1.6	0.0	1.5
Economy as a whole					
Gross value added – real ¹	1.9	1.2	0.8	2.1	1.5
Employees	0.5	0.1	0.7	0.9	0.6
Hours worked	–0.2	–0.8	0.1	0.8	0.1
Gross value added ¹ per hour worked	2.0	2.1	0.7	1.2	1.4
	Contribution of social services to overall economic growth				
Gross value added – real	4.4	2.6	7.1	2.7	3.8
Employees	20.7	79.3	17.4	17.2	20.1
Hours worked	–	–	76.7	16.9	163.9

1 Chain-linked volumes, in 2010 prices.

Sources: Federal Statistical Office, authors' own calculations.

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a changed economic sector classification.⁴ The latter figures also struggle with the fact that data from after 2014 cannot be compared with earlier data due to revisions and a change in employee classification.⁵ Moreover, there are differences in the informative value of these data sets; for example, the statistics on employee earnings only provide information on full-time workers by sector.

The social services sector is strongly expanding

The social services sector's economic output has increased by far above average since the beginning of the 1990s; while the economic output of the economy as a whole rose by 40 percent between 1991 and 2015, social services' output rose by 140 percent (Figure 1). It is noticeable that in this period the social services sector's gross value added increased every single year. Although there were a few years with a slowdown in growth, these do not coincide with periods of general economic slowdown. Rather, the social services sector has largely developed independently of the general economy. This may be due to the fact that the demand for this sector's services has grown more and more over time as a result of population changes.

Employment development in this sector has run a similar course. The number of employees in the social services sector almost doubled between 1991 and 2015 while in the economy as a whole, it rose much less—by only 11 percent. In addition, the number of employees has been accelerating in growth since the end of the last decade; the same applies to the number of hours worked (Table 1).

To compare the development of the social services sector and the economy as a whole, it is advisable to divide the time since German reunification into smaller periods which, in terms of the overall economy, correspond roughly to economic cycles.⁶ The growth of value added and employment rose more strongly in the social services sector than in the economy as a whole in all periods selected here. The differences in growth were especially large in the 1990s, but were smaller—although only in terms of value added—from 1991 to 2003 and from 2009 to 2015. In the latter period, it became noticeable that the growth in value added was also relatively strong in the economy as a whole, while economic output in the social services sector increased almost unabated. Meanwhile, the increase in the number of employees in the social services sector was consistently far above average. This also applies to the work volume, or the number of hours worked. The work volume in the overall German economy first began to rise at the beginning of the 2003 period while it had sunk in previous periods.

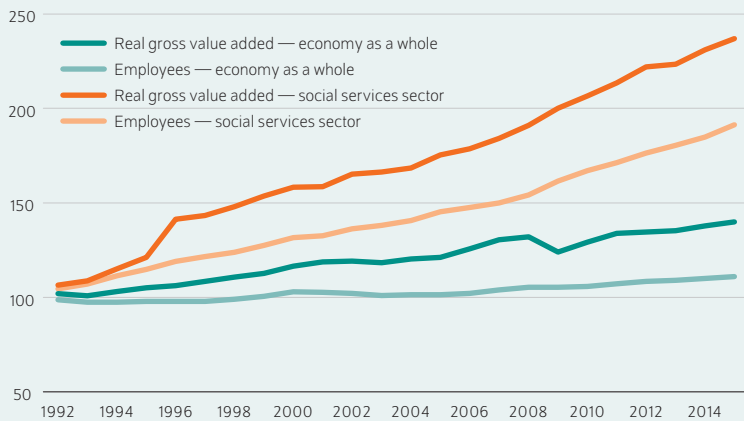
⁴ Switch from WZ 2003 to WZ 2008.

⁵ Before 2014, some people were counted as employees subject to social security contributions when they actually were not; rather, most of these people were marginal employees. These entry errors have been revised. At the same time, the reporting population was expanded and now includes more people who are subject to social security contributions, such as disabled people in workshops for the disabled or those who complete a voluntary social year. This change is likely to have affected the social services sector in particular. Cf. Bundesagentur für Arbeit, *Beschäftigungsstatistik Revision 2014* (Nuremberg: 2015) (in German).

⁶ Since this analysis is based on annual data, the division of these time periods is only approximate, as economic turning points occur within one year. It begins in 1993 in order to exclude the economic upheaval related to German reunification.

Figure 1

Development of economic performance and employment in the economy as a whole and in the social services sector Index, 1991=100



Sources: Federal Statistical Office, authors' own calculations.

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The social services sector has grown rapidly and economic influences are not noticeable.

The outstanding role of the social services sector becomes particularly clear when considering its contribution to the macroeconomic development. For example, since the beginning of the 1990s, it has contributed almost four percent to the increase in Germany's economic output. That may not seem like much at first glance—yet it is, as the social services sector only accounts for a small part of the total value added in Germany: one percent in 1991 and 1.9 percent in 2015, almost doubling its level.

The sector's contribution to employment expansion was even more significant. Beginning in the periods starting in 2003, every sixth newly created job in Germany was in the social services sector; since the early 1990s, it had even been every fifth. Now just under six percent of all employees are working in the social services sector while in 1991, it was only a bit over three percent. This sector's contribution to work volume growth is also significant: In recent years, it has contributed one-sixth of the increase in hours worked in Germany. If the entire period since German unification is taken as a benchmark, the increase in the volume of work can be attributed to this sector alone, as the number of hours worked in other industries declined quite a bit previously.

Pronounced labor intensity, low wage levels, and low measured productivity

If a sector's share of employment in the economy as a whole is significantly higher than its share in the economy's output, as is in the case of social services, then it is a very labor-intensive industry. Employee compensation (gross wages and employer contributions to social security) made up 95 percent of the gross value added in 2015; the rest was comprised of depreciations, gains, and self-employed income. In the same year, the wage share in the economy as a whole was, in contrast, 56 percent. Only a small part of the difference stems from the fact that the social services sector has comparatively few self-employed workers: The self-employed make up three percent of workers in this sector while they make up ten percent in the economy as a whole.

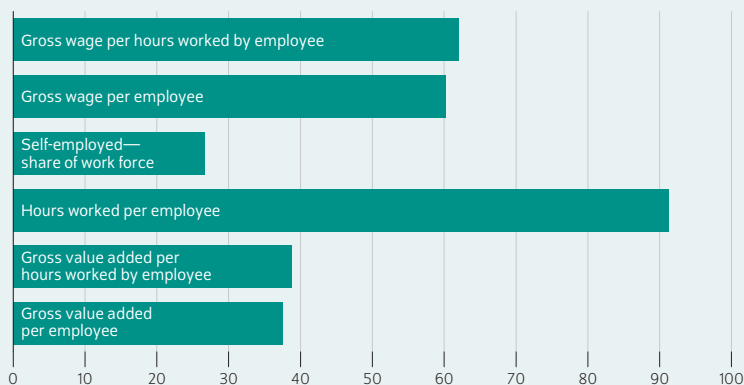
The wages in the social services sector are far below the average: around 60 percent of the wage level in Germany (Figure 2). If the wage level is relatively low in a labor-intensive economic sector, then the productivity can by definition only be low. Conversely, productivity would increase with higher wages. Thus, productivity per capita in the social services sector is 40 percent less than the macroeconomic average. The same applies to hourly productivity, as the working hours per employee are not far below the average.

A European comparison

The social services sector has been gaining in importance almost everywhere in the EU, as evidenced by the increased share of macroeconomic employment and economic output attributable to this sector (Table 2). Only Denmark, where the social services sector has already been exceptionally strong

Figure 2

Social services sector compared to the economy as a whole, 2015 Shares in percent



Sources: Federal Statistical Office, authors' own calculations.

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Value added and wages are far below average.

In contrast, the development of value added per hour worked—that is, hourly productivity—was different. There was still a strong increase in the hourly productivity of the social services sector in the 1990s, after which the rates of increase became lower. Beginning in 2009, productivity even stagnated while it rebounded in the economy as a whole after a previous sharp decrease in pace. The acceleration in employment growth in the social services sector in recent years has been accompanied by the fact that economic output per hour has only remained at the level previously achieved.

SOCIAL SERVICES SECTOR

Table 2

Key figures of the social services sectors in the EU

	Share of the economy as a whole in percent						Employee compensation in percent of gross value added	Employees in percent of all workers	Gross value added per hour	Employee compensation per hour
	Gross value added		Employees		Hours worked				Economy as a whole = 100	
	2005	2015	2005	2015	2005	2015				
	2015									
Austria	1.2	1.6	2.8	3.9	2.4	3.2	93.8	92.9	51	81
Belgium	2.1	2.6	4.7	6.2	3.8	4.8	102.8	95.8	55	80
Bulgaria	0.8	0.8	0.9	1.0	0.9	1.0	51.4	97.2	81	67
Croatia	0.5	0.7	–	1.6	–	1.8	89.6	92.4	38	56
Cyprus	1.3	0.4	1.1	1.1	1.1	1.1	108.0	96.0	41	78
Czechia	0.6	0.7	1.1	1.4	1.0	1.4	81.0	97.3	51	81
Denmark	6.0	5.6	11.6	10.7	10.3	9.8	97.9	100.0	57	86
Estonia	0.4	0.5	1.0	1.4	1.0	1.3	89.3	96.5	37	55
Finland	3.4	4.6	6.8	8.2	5.9	7.4	93.3	96.1	63	92
France	2.7	3.4	6.3	7.3	5.5	6.4	91.4	100.0	53	71
Germany	1.7	2.1	4.6	5.6	4.3	5.1	95.0	96.7	41	62
Greece	0.3	0.2	0.7	0.7	0.6	0.7	96.1	94.7	25	42
Hungary	1.0	1.1	2.1	2.6	–	2.6	89.3	100.0	42	69
Ireland	1.2	1.4	3.1	5.1	2.6	4.3	82.6	95.5	33	74
Italy	0.7	0.9	1.5	2.0	1.2	1.6	84.8	94.0	55	77
Latvia	0.5	0.6	1.0	1.2	–	–	92.7	92.0	–	–
Lithuania	0.4	0.6	1.0	1.4	1.0	1.4	98.8	95.8	44	85
Luxembourg	2.2	2.6	3.9	6.0	3.5	5.2	97.4	99.9	49	85
Malta	1.5	1.9	2.1	3.6	–	–	92.1	99.3	–	94
Netherlands	3.6	4.1	8.7	9.4	6.4	7.0	84.9	82.4	59	91
Poland	0.6	0.6	1.3	1.4	1.3	1.4	93.9	97.0	45	81
Portugal	1.2	1.6	2.2	3.3	2.4	3.4	83.5	97.3	47	68
Romania	0.0	0.1	0.0	0.8	0.0	0.9	25.0	95.6	15	8
Slovakia	0.6	0.5	1.5	1.4	1.2	1.2	88.8	97.1	44	77
Slovenia	0.9	1.1	1.4	1.9	1.4	1.7	90.0	99.1	62	79
Spain	1.1	1.4	1.5	2.4	1.4	2.2	79.3	99.7	63	80
Sweden	5.0	5.6	9.6	9.9	8.3	9.8	81.9	99.8	57	84
United Kingdom	2.0	1.9	4.7	5.3	4.1	4.9	81.1	90.5	38	53
European Union	1.9	2.2	3.7	4.5	3.0	3.8	88.9	95.4	58	83
Norway	4.6	6.0	12.6	13.7	9.4	10.7	96.1	100.0	56	92
Switzerland	2.1	2.4	–	–	–	–	–	–	–	–

Sources: Eurostat; author's own calculations.

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in the past, and Greece, where the years-long crisis has prevented growth, are notable exceptions.

In almost all countries, economic output is primarily composed of wages,⁷ and the proportion of the self-employed is low everywhere. However, most notably is that in every country, productivity is far under the national average—and the wage level usually is too.

The macroeconomic significance of the social services sector varies significantly between countries. It is of comparatively great importance in western Europe and plays an even larger role in the Scandinavian countries. It is of average importance in central Europe, while the social services sector in the eastern and southern EU countries is relatively less pronounced.

Looking at Germany, it is noticeable that the social services sector's share of the macroeconomic value added is the same as the EU average, although the share of employees in this sector is significantly higher than average. This reflects the fact that the social services sector's productivity is far below the national average. The same applies to the wage level: In only a few European countries (Estonia, Greece, Croatia, Romania, and the United Kingdom) are the wages in the social services sector so far below the national average as in Germany.

Individual branches of the social services sector

Almost half of all employees in the social services sector work in homes; one-quarter work in nursing homes (Figure 3). Another sixth work in homes for the elderly and disabled. In contrast, the “other homes”⁸ category is of less importance.

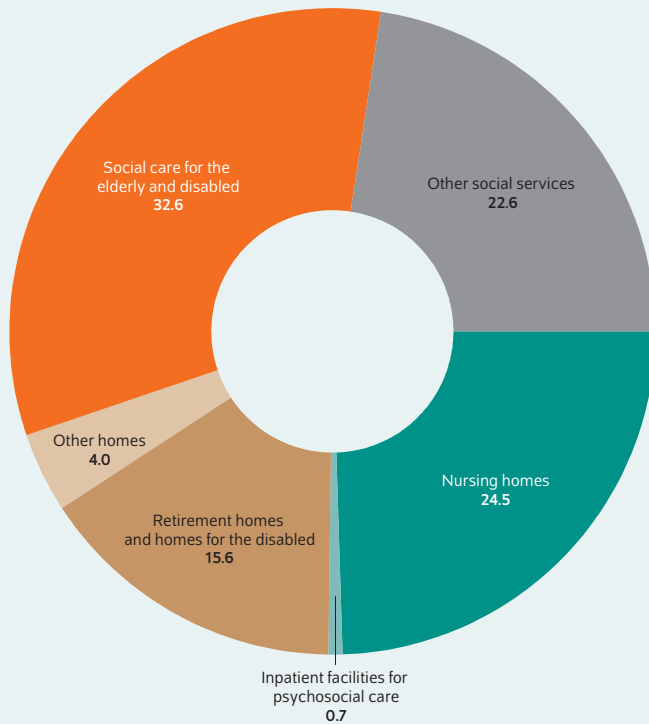
⁷ In some countries, employee compensation is even higher than the value added; this was the case in the social services sector in Germany until 1998. That means that the businesses make losses on average—which are likely to be compensated by subsidies, such as those from the state.

⁸ Homes for young people, children's homes, homeless shelters, homes for pregnant women, homes for women or men with children, homes for asylum seekers, and supervised transitional facilities for offenders.

Figure 3

Structure of social services employees subject to social security contributions by branch, 2017

In percent



Sources: Federal Employment Agency; authors' own calculations.

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Three-fourths of the social services sector is comprised of retirement homes, nursing homes, and outpatient care.

A third of all employees in the sector are employed in outpatient services or in day care centers for the disabled or elderly. Finally, just under a quarter work in the diverse field of “other social services.”⁹ Roughly estimated, there are three quarters of employees working in nursing and caretaking for the elderly and disabled while the other quarter is working in different areas, such as assistance for families or minors.

There has been a strong rise in employment in all branches of the social services sector in recent years—the strongest increase was in the “other social services” and “other homes” branches, which may be due to the influx of asylum seekers (Table 3). The smallest increase, but nevertheless larger than in the economy as a whole, was in the growth in the number of employees in nursing homes.

Women are strongly represented in the social services sector: A majority of employees in this sector, around three-quarters, are female. The proportion of women working in inpatient elder care is especially high (over 80 percent); the share of

women caring for the elderly and disabled (outpatient and in day care centers) is relatively small, but still two thirds. The high share of women in this sector points to a long-standing tradition of women dominating social and caretaking professions—historically in segments of the economy that are not or only indirectly influenced by the market.

The high number of female employees is accompanied by a high rate of part-time workers: Half of all employees subject to social security contributions work part-time. Looking at the individual branches of the social services sector shows that the higher the share of women in the field, the higher the part-time rate is. Contrary to the general trend, part-time employment has become somewhat less important in recent years. However, that only applies to one area in the social services sector: outpatient care, where the part-time rate has fallen drastically.

It is surprising that while part-time workers subject to social security contributions are very pronounced, mini-jobs play a much smaller role than in the economy as a whole. That applies to all areas in the social services sector. Mini-job positions are less likely to be considered to fulfill the duties of a worker in the social services sector.

The job structure in regard to the required qualifications for employees in the social services sector is significantly different than in the entire economy. This is particularly evident in the far above average share of helpers, which has increased in recent years. This applies to all areas in the social services sector; however, outpatient care (and care in day care centers) is unique in that its share of unskilled workers rose sharply. Apparently there was a strong shift in the personnel structure towards less qualified full-time workers.

Nursing homes and homes for the elderly and disabled also have a relatively high share of unskilled workers. However, the largest group of employees here are “skilled personnel,” such as trained nurses. However, the “specialist” (especially qualified skilled personnel) or “expert” (skilled personnel with university degrees, such as doctors and psychologists) groups are less important. Experts are strongly represented in the other types of homes, other social services, and the small inpatient psychosocial care branch, which comparatively has many specialists.

Wages have risen strongly recently, but are still far below average

The relatively large amount of unskilled jobs in the social services sector undoubtedly affect its average wage level. In addition, it could be that the wage level in this sector—regardless of the employment structure—is comparatively low. This can be verified by employee earnings statistics, which include information on the wages of the individual skill groups. However, information is only provided about full-time employees, who do not play as important a role in the social services sector as they do in the economy as a whole. Moreover, the breakdown by skill group is only approximate.

⁹ Refugee relief, day care centers for the homeless and other socially disadvantaged groups, youth centers, child guidance centers, youth counseling centers, family planning clinics (provided they are privately run), public and youth welfare organizations (collecting donations and other aid efforts), etc.

SOCIAL SERVICES SECTOR

Table 3

Structure and development of employees subject to social security contributions in the social services branches

	Nursing homes	Inpatient facilities for psycho-social care	Retirement homes and homes for the disabled	Other homes	Social care for the elderly and disabled	Other social services	Social economy as a whole	Informational: economy as a whole
Share of women in percent								
June 2008 ¹	80.2	67.4	80.9	69.6	84.3	72.2	78.4	45.0
June 2013 ¹	81.0	68.5	81.1	71.6	83.5	74.6	79.3	46.1
June 2014	81.0	68.8	80.7	71.7	61.0	74.3	72.6	46.2
June 2017	81.0	69.4	80.4	71.9	63.0	73.8	73.0	46.3
Share of full-time workers in percent								
June 2008 ¹	57.3	65.6	53.9	64.5	52.9	58.3	56.7	80.5
June 2013 ¹	43.8	56.2	42.0	56.1	42.1	44.0	43.9	74.8
June 2014	43.5	56.4	42.1	55.9	42.5	44.9	44.1	74.1
June 2017	40.7	52.7	39.2	54.0	64.8	43.1	49.5	72.2
Share of unskilled workers in percent								
June 2014	35.3	12.6	34.4	10.4	28.9	16.3	27.8	14.3
June 2017	37.1	12.9	35.7	10.8	46.5	17.5	33.2	15.6
Share of skilled workers in percent								
June 2014	47.0	41.5	48.4	51.6	54.7	46.3	48.7	60.3
June 2017	47.5	40.8	48.6	52.8	42.3	45.7	46.1	58.7
Share of specialists in percent								
June 2014	8.2	15.6	7.0	7.0	7.0	9.8	8.1	12.8
June 2017	7.4	15.4	6.5	6.8	5.1	9.4	7.2	12.8
Share of experts in percent								
June 2014	9.4	30.3	10.2	31.1	9.4	27.6	15.4	12.6
June 2017	8.0	30.9	9.2	29.6	6.1	27.4	13.6	12.9
For every employee subject to social security contributions... marginal employees								
June 2014	0.12	0.14	0.12	0.13	0.16	0.21	0.15	0.26
June 2017	0.11	0.13	0.10	0.12	0.16	0.18	0.14	0.24
Average annual change in percent								
June 2008 to June 2013 ¹	2.2	4.2	4.2	3.3	8.9	4.4	4.3	1.3
June 2014 to June 2017	2.6	4.0	3.2	5.2	4.4	6.9	4.3	2.2

¹ Data before revision.

Sources: Federal Employment Agency; authors' own calculations.

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The wages in all skill groups are in fact lower than in the economy as a whole (Table 4). The highest wage gap is for leadership positions and highly skilled workers; the lowest is for mid-level professionals and unskilled workers. Additionally, it has been shown that the wage level in the individual skill groups—apart from managers—is higher among employees in homes than in other jobs in the social services sector.

In prior years, the wage gaps were larger. Recently, the employees in the social services sector have significantly caught up; starting in 2012, the hourly wages for all skill groups grew more strongly than in the economy as a whole. The wage increase was particularly pronounced for those working in mid-level and lower-skill jobs. As a result, skilled

personnel (such as trained caregivers) were able to move close to the aggregate wage level. The same applies to unskilled workers—but only those working in homes and not those in other areas of the social services sector.

Since the distribution of employees among the individual skill groups is known, it is possible to calculate what the social services sector's wage gap would be if it had the same activity structure as the economy as a whole. For those working in homes, the wage level was 14 percent below the average; in the rest of the social services sector, it was 16 percent below. In reality, the wage gaps are 18 and 17 percent, respectively. The special employment structure is also responsible for the comparatively low wage level in the social services sector to a small extent.

SOCIAL SERVICES SECTOR

Table 4

Gross hourly wages of full-time employees in the social services sector and in the economy as a whole¹

	Overall	Management	Highly trained employees	Skilled workers	Semi-skilled workers	Unskilled workers
2007, in euros						
Homes	15.54	25.12	18.37	14.87	11.70	10.38
Other social services	15.99	25.67	18.24	14.15	10.76	8.79
All economic sectors ²	19.74	36.01	23.41	16.58	13.77	11.32
2012, in euros						
Homes	17.27	27.75	20.75	16.50	12.36	11.52
Other social services	17.59	28.48	20.46	15.51	11.59	9.72
All economic sectors ²	22.10	41.05	26.24	18.23	14.83	12.44
2017, in euros						
Homes	20.01	32.49	23.86	19.07	14.37	12.89
Other social services	20.20	32.55	22.88	18.63	13.42	11.87
All economic sectors ²	24.38	46.36	29.11	19.88	16.11	13.63
Annual change in percent, 2007 to 2012						
Homes	2.1	2.0	2.5	2.1	1.1	2.1
Other social services	1.9	2.1	2.3	1.9	1.5	2.0
All economic sectors ²	2.3	2.7	2.3	1.9	1.5	1.9
Average annual change in percent, 2012 to 2017						
Homes	3.0	3.2	2.8	2.9	3.1	2.3
Other social services	2.8	2.7	2.3	3.7	3.0	4.1
All economic sectors ²	2.0	2.5	2.1	1.7	1.7	1.8
2017; all economic sectors² = 100						
Homes	82	70	82	96	89	95
Other social services	83	70	79	94	83	87

¹ In companies with, in general, more than ten employees.

² Excluding agriculture and private households.

Sources: Federal Statistical Office; authors' own calculations.

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Demand is expanding strongly

The health care providers in the social services sector, the social insurance agencies, compete in a particular market. The demand largely depends on the state or long-term care insurances, so that prices often depend on demand-side conditions or on the outcome of negotiations in which the demand side usually has a strong position. This is especially true when it comes to determining caretaker rates. There is some information about the demand for caring for the elderly and other people in need of care, as well as aid for children and youth. Those are the most important demand components.

The number of people in need of care has increased significantly (Table 5). However, a significant share of these people—almost half—are being cared for by family members and are therefore not dependent on the services provided by social insurance agencies. In particular, the number of cases where people can be cared for using outpatient services or a mix of these services and family members has risen significantly—by almost 60 percent from 2001 to 2015. Here, growth has accelerated over time. The number of people in inpatient care also rose considerably, but not so strongly; growth here has slowed down over time.

The increases in people in need of care are reflected in long-term care insurance expenses; however, it is impossible to exclude funds received by caretaking family members from the available data. After a significant increase in the second half of the 1990s, expenses increased at a leisurely pace for a while (Figure 4). Beginning in 2007, expenses began to increase at a faster pace, and especially strongly in 2017.

The expenses for child and youth aid steadily increased until 2003; afterwards, they stagnated sporadically before rising sharply after 2006 (Figure 5). Starting in 2015, the pace of growth increased even more, which is likely related to an increase in underage asylum seekers.¹⁰

Economic and sociopolitical assessment

The social services sector has experienced strong growth in economic output and, in particular, the number of employees and work volume. Although the sector is not very important economically, it has contributed significantly to employment

¹⁰ There were especially strong increases in expenses for residential care/assisted living as well as for temporary measures for protecting children and youth. Moreover, the number of children removed from homes by child protective services was 75 percent higher in 2016 compared to 2014; the increase is likely due to asylum seekers who are unaccompanied minors.

growth in Germany. This is the result of demand expanding strongly. As society ages, the need for caretakers increases; this should boost growth in the future as well. Moreover, there is an increased demand due to family problems—or a more sensitive social approach to them. In the recent past, the influx of asylum seekers has become noticeable.

The situation is similar in almost all EU countries, where the importance of social work is also increasing in terms of the number of employees and work volume. In some countries, such as in Scandinavia and parts of western Europe, this economic sector already plays a much larger role than it does in Germany. It is unsurprising that due to its high labor intensity, prevailing simultaneously in all European countries, and its relatively low compensation the social services sector has a low statistically measured labor productivity. In Germany, wages, and thus productivity, are far below the national average.

In part, low wages and productivity are due to the fact that unskilled jobs are relatively widespread in the social services sector. However, even skilled workers are paid comparatively little in this sector. The extent of value added and, indirectly, the wage levels, do not only depend on to what degree the goods offered are in demand, but also on what prices they achieve on the market. In the case of the social services sector, special market conditions apply, as on the demand side is either the state directly or long-term care insurances, whose budgets are determined by the contribution rates policy. Politicians' attempts to keep contribution rates low entails capping prices and thus wages in the social services sector. Therefore, politicians' behavior is astonishing, as quality care is a high priority among all age groups of voters.¹¹

Citizens and insured persons can rightly expect that tax revenues and contributions will be handled with care. However, the government can overdraw. That was—and will probably continue to be—the case for the social services sector. Wages have risen strongly in recent years, which is likely a reaction to the shortage of skilled workers that had been around for quite some time.¹² Yet the labor shortage still exists. Presently, there are 1.3 vacancies registered with the employment agencies for an unemployed caretaker; for professionals in all occupations, however, there are only 0.6 vacancies.

In order to do justice to the required quantity and quality of services in the social services sector, it is essential to reassess its professions, not least by providing better monetary benefits. The same applies to the frequently anything but attractive working conditions.¹³ Female employees are often quite overrepresented in this economic sector, which also gives

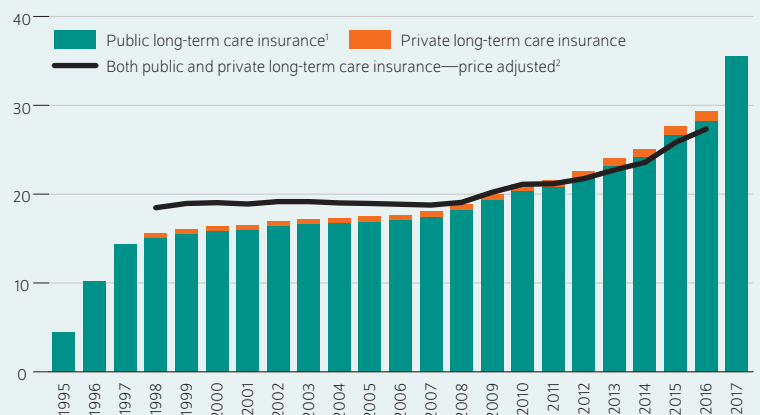
¹¹ Cf. Marco Giesselmann et al., "Policy Goals in the Eyes of the Public: Preservation of the Liberal Democratic Order Remains Most Important," *DIW Economic Bulletin*, no. 9 (2017): 97–108 (available online).

¹² PricewaterhouseCoopers (ed.), *Fachkräftemangel. Stationärer und ambulanter Bereich bis zum Jahr 2030* (Frankfurt am Main: 2010).

¹³ Overall, nurses are just as satisfied with their lives as most people in the workforce are, but their satisfaction with their own health, income, and work is below average. Cf. C. Katharina Spieß and Franz G. Westermaier, "Berufsgruppe 'Erzieherin': zufrieden mit der Arbeit, aber nicht mit der Entlohnung," *DIW Wochenbericht*, no. 43 (201): 1023–1033 (in German; available online).

Figure 4

Expenses of long-term care insurances In billions of euros



1 Only benefit expenses.

2 Deflated with consumer prices.

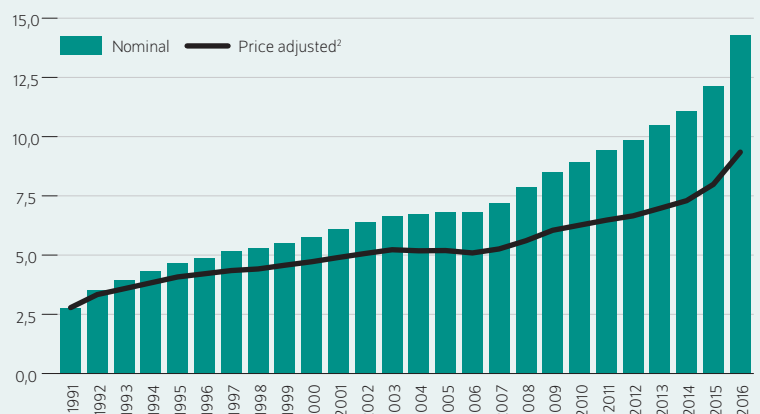
Sources: Federal Ministry of Health; Association of Private Health Insurance; Federal Statistical Office; authors' own calculations.

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Expenses have strongly increased for long-term care insurances in the last ten years.

Figure 5

Gross expenses for child and youth welfare services In billions of euros



1 Excluding expenses for funding of children in nurseries, for day care centers, and for staff training.

2 Deflated with consumer prices.

Sources: Federal Statistical Office; authors' own calculations.

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Expenses have been increasing strongly since 2008.

SOCIAL SERVICES SECTOR

Table 5

Number of those in need of care

In thousands

	Those in need of care in total	Of the total, care is provided ...			Statistical difference ¹
		... only by family members	... by outpatient services only or with family members	... full-time in homes	
2001	2039.8	1000.7	434.7	591.9	12.5
2003	2076.9	986.5	450.1	623.2	17.1
2005	2128.6	980.4	471.5	657.6	19.0
2007	2246.8	1033.3	504.2	686.1	23.2
2009	2338.3	1065.6	555.2	717.5	
2011	2501.4	1182.1	576.3	743.1	
2013	2626.2	1245.9	615.8	764.4	
2015	2860.3	1384.6	692.3	783.4	
Change in percent, 2001 to 2015	40.2	38.4	59.3	32.4	

1 Presumably mostly people in semi-residential care.

Sources: Federal Statistical Office; authors' own calculations.

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the impression that the wage level is still influenced by the unfortunate tradition of paying women below average for their work.¹⁴ A discussion must be had about what value the social services sector has for society today and what value it should have in the future, as the decisions about prices significantly depend on politicians. The coalition agreement by the Union parties (Christian Democratic Union and Christian Social Union) and the Social Democratic Party of Germany contains an “immediate action program for caretaking;” as a result, 8,000 additional specialist care posts will be created in the caretaking sector and funded by statutory health insurance.¹⁵ It remains to be seen if the program will be imple-

mented, as the corresponding workers must be found in the labor market.¹⁶ More realistic are the goals set out in the coalition agreement to make training in caretaking professions more financially attractive, improve training opportunities for employees, and to strengthen the collective wage agreement in order to improve wages. With these details in mind, the fundamental question arises again: What sort of financing and how much value does society want to attach to caretakers?

¹⁴ The gender pay gap.

¹⁵ Cf. Coalition agreement between the CDU, CSU, and SPD, *Ein neuer Aufbruch für Europa – Eine neue Dynamik für Deutschland – Ein neuer Zusammenhalt für unser Land* (Berlin: 2018, 19th legislative period): 96 (in German).

¹⁶ Currently (as of the end of March 2018), there are only about 2,800 unemployed specialists in elder care registered with employment agencies.

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