The Hidden Costs of Informal Caregiving: An International Comparison

The purpose of this panel session was to present empirical evidence from three countries—the U.S., Canada and Germany—about economic consequences of taking on informal elder care responsibilities and to consider implications of this evidence for public policy and practice. Time costs, employment-related opportunity costs, and out-of-pocket costs related to caregiving were examined.

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Overview

In recent years demographic, socio-economic and policy trends have contrived to make elder care an issue of utmost policy importance. While the need for elder care increases, governments' willingness and ability to meet this growing demand diminishes. As a result, policy makers increasingly have been turning to community based care as a substitute for institutional care. Community care is believed to be both "better" and "cheaper" than institutional care because it relies much more heavily on informal, unpaid caregiving provided by family and friends of those in need.

The belief that informal care is cheaper is based largely on results of cost-benefit analyses claiming to show that the cost of community care is lower than the cost of institutional care. However, most of these studies examine only the impact of community care on public expenditures, ignoring costs incurred by informal caregivers. The economic success of the shift to community care clearly depends on the transfer of responsibility from paid health care workers to unpaid family members and friends, and on the assumption that informal care is free.

The assumption that informal care is free has been challenged for some time, but only recently has empirical evidence about the costs associated with informal care begun to emerge. In this session, data, policy and practice discussions drawn from Canada, the United States and Germany illustrate the global nature of the issue.

The cost of informal elder care in Canada: Implications of recent policy reform

Janet E. Fast

Introduction

In spite of the growing debate regarding the relative costs of formal and informal caregiving, few, if any, systematic attempts have been made to estimate the cost of informal care. The major costs experienced by informal caregivers can be categorized as direct labour costs, employment-related opportunity costs, out-of-pocket costs and psycho-social costs. The purpose of this paper is to present evidence of the incidence and extent of two of these costs, the cost of direct, unpaid labour and employment impacts, for Canadian elder care providers.

Methods

Data consisted of two sub-sets of Statistics Canada's 1996 General Social Survey (GSS), the core content of which was social support. The first comprised respondents who had provided elder care¹ at any time during the previous year. The second included only employed elder care providers. Replacement cost of the unpaid caregiving labour was calculated using stylized estimates of time spent helping seniors with elder care tasks, and average hourly earnings of people in occupations that most closely matched the caregiving tasks, calculated from 1991 census data, adjusted for inflation to 1996 dollars. Employment impacts were measured using a series of questions about whether the respondent had: changed or left a job; declined a job transfer or promotion; declined a job offer; changed hours of work; missed one or more days of paid work; arrived late to or left early from work; had job performance affected. Analyses were largely descriptive. Numbers and proportions of respondents reporting
participating in various elder care activities, mean time spent performing those activities, mean value of elder care
time, and numbers and proportions of employed respondents reporting various employment consequences arising
from their caregiving activities were calculated.

Results and Discussion

Almost 9% of respondents had participated in one or more elder care tasks during the year prior to the
survey. At a population level, this represents just under two million Canadian caregivers. The most common tasks
were shopping/transportation (60%) and meal preparation/cleanup and housekeeping (40%). There were more
women than men elder care providers. A larger proportion of women than men helped with meal
preparation/cleanup and housekeeping (51% and 26% respectively) and personal care (36% and 19%) while a larger
proportion of men than women helped with maintenance/repair (44% and 18%).

The results clearly refute the notion that informal caregiving is costless. Elder care providers spent an
average of 5.3 hours per week doing elder care, most of which was devoted to meal preparation/cleanup and
housekeeping, and personal care. Men spent less time (4.8 hours/week) than women (6.6 hours/week) cooking and
cleaning for seniors. Both male and female non-employed caregivers spent more time providing elder care than
their employed counterparts. This is especially true of personal care tasks.

The average weekly replacement cost of informal caregiving ranged from $54.54 to $59.82 per caregiver.
This represents what it would cost, on average, to hire elder care services from the labour market. At a
population level the value of caregivers’ labour can be estimated at between $107 and $117 million per week.

Elder care responsibilities also take a toll on caregivers’ employment. Over half of all respondents (higher
proportions of women than men) had made adjusted their employment as a direct result of their caregiving
responsibilities. Most took time off at the beginning or end of the day, take whole days off, or officially change
their hours of work. These strategies are likely to have, at a minimum, short term effects on earnings of these
caregivers. Of particular import, though, are the few who report changing or leaving a job, declining transfers or
promotions, and turning down job offers. The impact of such decisions are more far-reaching, both in terms of the
magnitude of even the short term economic impact, and in terms of the long term effects on earnings, benefits, and
pension entitlements.

The Economic Value of Informal Care-Giving for Disabled Parents in the U.S.

Gong-Soog Hong

Background and Objectives

This study has two major objectives: (1) to estimate the total economic value of informal care-giving for
disabled parents in the United States, including the value of money and time that are given; and (2) to identify
factors which influence the decision of adult children to give time and money to their disabled parents, using the
1992 Health and Retirement Study (HRS). The HRS sampled individuals born between 1931 and 1941 and their
spouses/partners. The HRS sample is ideal for this study because, compared to other age groups, more people in this
age group are thought to provide assistance to their disabled parents. The HRS sample also provides a wealth of
information about physical health and functional status, family structure, intergenerational transfers, disability, and
financial status. The sample for the study consists of 4,635 adult children who have at least one living parent with
either activities of daily living limitations (ADLs) or cognitive impairment.

Analytical Process

The typical care-giver in this study was 55-years old, and high school educated. Almost 75% were married;
69% were employed. Average household income was $52,700. On average, the respondent and their spouse spent
19.7 hours per week caring for the respondent’s own parents, and an additional 24.3 hours caring for their parents-
in-law. Weekly caregiving hours were much higher for those who cared for parents with ADLs (24.4 hours) than for
those whose parents were cognitively impaired (11.6 hours). Respondents also gave financial support to parents and
parents-in-law. The difference in money transfers between the amount that adult children give to disabled parents
and the amount they give to disabled parents-in-law per week is very small on average: $41 per year for the
respondent’s own parents and $42 for the respondent’s parents-in-law.

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The estimated dollar value of the time given to disabled parents was imputed for those not employed in the labor market. The wage model was based on human capital theory and was estimated separately by gender. The estimated hourly wage averaged $12.15 and ranged from $3.87 to $24.27. Annual dollar values of the time given to the respondent’s parents and parents-in-law were computed separately: $11,157 and $16,090, respectively. For those who cared for both their own parents and their parents-in-law, the number is much higher, $32,461. The total value of time and money given to the respondent’s own parents was $13,294, for parents-in-law $18,276. Among those who are taking care of both parents and parents-in-law, the value of time and money given was $39,377. As expected, the total dollar value is higher for those who are caring for parents with ADLs ($16,568) than for those who are caring for parents with cognitive impairment ($8,911).

Findings and Conclusions

Multivariate logit models were estimated to identify factors that contribute to adult children giving time and money to disabled parents. Characteristics of parents are found to be important in explaining the giving behavior of their adult children. As the number of parents with ADLs increases, the likelihood of giving both time and money increases. This increased level of giving reflects parents’ need for support. Compared to adult children whose parents are not poor, adult children with poor parents tend to spend more time to care for their parents, and they are less likely to provide financial support to their disabled parents. This finding may suggest a positive correlation between parents’ and children’s financial status: adult children who have poor parents also may have lower levels of financial resources to share with parents.

Siblings’ giving behavior is an important predictor of giving behavior of adult children. Compared to adult children whose siblings have not transferred time to their disabled parents, adult children with siblings who have transferred time to parents also are more likely to spend time caring for disabled parents. Similarly, siblings’ giving money to parents also positively influences the money giving behavior of adult children. Compared to adult children whose siblings have not transferred money, adult children whose siblings have transferred money to disabled parents also are more likely to transfer money. These findings suggest that parents with more children would receive more support than those with fewer children or no children.

The age and education levels of adult children also are related positively to both the amount of money and the amount of time given to their disabled parents. The employed are more likely to give money than the unemployed. Married adult children are less likely to give money to their disabled parents than those who are single. Those who participate in volunteer work tend to provide more support for their parents with their time and money than those who do not, which reflects their altruistic behavior.

A Comparative Analysis of the Costs of Informal Caregiving: The U. S. and Germany

Jane Kolodinsky and Anne Zooyab

Introduction

In Germany, about 12 million individuals were over age 65 in 1996 and the number is expected to increase by over 60% during the next 40 years. Along with the U.S., Germany experiences one of the longest life expectancies (73 for men; 79 for women), and is burdened by one of the highest health care GPDs (9%). In addition, the country has been faced with increases in female labor supply over the past twenty years. Consequently, Germany faces a burden with respect to the long term care of their elder population.

Methods

Using the standard Heckman reservation wage model to estimate the reservation wage rate for women not employed in the labor market, we employ data from the 1995 wave of the German Socio-economic Panel Study (GSOEP). The twist is that we test to see whether co-residing with an elder (and including the elder’s characteristics) results in a significantly different model in terms of labor supply. Then, reservation wages are calculated for both co-residing and non-co-residing households. This approach not only allows us to calculate a cost of time for informal care giving, it also serves as a starting point to answer the question, “do elders provide household production or ‘use up’ household production?”
The general procedure is as follows. First, we estimate a Probit model of participation and obtain the selectivity-correction term ($\lambda^*$). Using observations who are working, we then estimate a market wage equation and a work-hours equation, including $\lambda^*$ as an explanatory variable in an OLS regression model.

Our sample includes adult women aged between 16 and 55. There are a total of 3774 observations; 2500 are working and 1274 are not working. 3.2 percent (121) have experienced of co-residence. For those who have never co-resided with an elder parent, the average number of work hours per week and hourly wage are 34.2 and 17.85 D.M. For co-residers, the average is 31.7 hours of work and 19.36 D.M. per hour.

Results and Discussion

Our results indicate that accounting for co-residence and elder characteristics do make a difference when estimating a labor supply equation (<.01). Increases in the length of co-residence decrease the probability of labor supply, and the effect is mediated by having a female elder in the household; female elders may provide some childcare; and health status of elder is insignificant in the labor supply equation.

For the hours of work equation, presence of all ages of children (with the exception of 13-16) decreases hours of work; presence of elder increases hours of work and this is mediated by health of elder--poorer the health, fewer the hours of labor supply; presence of female elders, even in poor health, increases hours of labor supply; and presence of male elders, with poor health, decreases hours of labor supply.

For the wage equation, wage increases at a decreasing rate with age; increases in schooling increase wage; and type of job (blue collar) decreases wage. These results are consistent with the general labor supply literature.

Given the estimates of hours of work and wage equations are robust, we are confident about derived coefficients for reservation wage. We use several different identifier variables to test sensitivity of results and found that the results are sensitive, but do adhere to theory. The calculated reservation wage rates are lower for employed women than women not employed in the market. Calculated reservation wages are higher in households where co-residence occurs, but not much higher. The value of the reservation wage, using a continuous variable (labor force tenure) to identify the equation is 32.27DM ($21.51U.S.) for employed women who have co-resided and 39.14 DM ($26.10U.S.) for unemployed women who have co-resided with an elder. Using other variables for identification (only dummy variables were available), reservation wage estimates ranged from 4.73DM to 97.90DM for non-employed co-residers ($3.15- $65.27U.S.).

As one of the first steps in estimating reservation wage rates in households where elders co-reside with adult children, there are a few caveats to our findings. First, it is wishful thinking to put a guaranteed price on time at home! The Heckman method should be validated by using other methods on the same data. For example, there have been proposed semi-parametric techniques that improve on Heckman's assumption of normality of error term distribution.

Endnotes
1. Associate Professor, Department of Human Ecology
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4. Elder care is defined as doing one or more of a specified set of activities of daily living, including meal preparation and cleanup, house cleaning, laundry, sewing, home maintenance and outside work, shopping, transportation, banking and bill paying and personal care, for someone over the age of 65, because that person suffered from a long term health or physical limitation.