

The impact of family policies on the provision of market and familial care in an international comparison

G. Donehower and F. Kluge

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Abstract

In recent decades, we have witnessed profound changes in family size and structure. While marriage rates and the number of children have declined in most industrialized countries, female labor force participation rates have risen significantly. However, while the working hours and wages of women have increased, we continue to observe huge discrepancies in market engagement by gender across countries. Together with varying family policies this results in considerable differences in the provision of child and elder care. We want to show international differences in the provision of child and elder care and the impact of different policies on the care arrangements comparing the U.S. and Germany. The two countries have very different institutional arrangements that will be reflected in the patterns of care provision by age, gender and whether the care is provided through market mechanisms or by the family.

1. Introduction

The variations in the provision of child and elder care across countries have far-reaching consequences for a number of areas of life. The different policies are reflected in the division of market and household labor between men and women, and female labor force participation rates. Furthermore, they have a big impact on government finances in aging societies, given that for example home care is less cost intensive than institutional care. Against the background of population aging and changing family structure, the arrangements for care may have to undergo changes, as a smaller number of middle aged working individuals has to care for their children and a growing number of elderly.

We want to compare two countries with very different care policies and evaluate their impact on market and non-market child and elder care. The U.S. and Germany show very different policy approaches to care provision, which are also reflected in the type of care demanded.

The United States provides only a small amount of public support for care work, almost all of which is in-kind, paid to third party providers. Statutes allow workers to take time off to care for newborns or sick family members, but only a few states have programs to replace a portion of the lost income during time away from work. Public funding of pre-school and

after-school care is relatively small and is only available to very poor children, often linked to programs to enable parents to increase their time in market work. Tax breaks for market provision of child care ease the burden on middle-class families somewhat. The government provision of elder care has long been limited to poor elders who reside full-time in nursing homes, through the Medicaid program. While program rules restrict this support to poor elders only, many elders “age into” the program as expensive institutionalized care consumes the savings they had built up during their working years. Recently there has been more public support for payments to home health aides as part of the effort to reduce the prevalence of expensive nursing home residence. Home health aides can be family members, but only if they are certified as professional caregivers.

In Germany, we find a mixture of cash and in-kind care options and much larger programs, relative to population size, than in the United States. Child care is to a large extent publicly provided. Nevertheless, monthly child alimony, maternity leave benefits as well as the discussed introduction of a *Betreuungsgeld* (cash benefits for the family in case a child is not enrolled in Kindergarten) are important additional cash transfers offered by the government. The same holds true for elder care. While there is the possibility to live in a nursing home, publicly provided in case individuals do not have sufficient funds available, the family can also receive cash benefits in case they organize care themselves.

We would expect these very different institutional settings to be reflected in the amount and provision of market and non-market care in the three countries, but this is an empirical question. Our paper aims to examine what patterns are revealed by the data.

2. Data and Methodology

In this analysis, monetary and time use results of child and elder care are combined to assess the policy impact on differences in the provision of care between the two countries. The monetary care estimates are obtained by following the standard methodology of the National Transfer Accounts¹, decomposed by gender. The theoretical framework builds upon Samuelson, Diamond, and Lee. The NTA methodology quantifies most inter-age redistributions in a cross-sectional setting for a respective year.

¹ National Transfer Accounts measure economic flows across age groups consistent with the National Income and Product Accounts. For more detailed information see www.ntaccounts.org.

For the United States, results for 2009 are included. Most of the data for the United States market-based results are from two surveys: the Current Population Survey (CPS) provides most of the income data and the Consumer Expenditure Survey (CES) provides the consumption data. The CPS is a monthly survey of about 60,000 households while the CES is a quarterly survey of approximately 7,000 households. These sources are supplemented with government-gathered data on public program participation.

The German Income and Expenditure Survey in 2003 (Einkommens- und Verbrauchsstichprobe, or EVS) serves as the micro foundation for the German estimates. It covers information on income, consumption, transfers, savings, and assets. The EVS for 2003 includes around 50,000 households, and is representative of households with a monthly net income of less than 18,000 euros (for a methodological overview, see Statistisches Bundesamt). Population estimates are provided by the German Federal Statistical Office. Age-specific estimates for in-kind transfers are obtained from official records about health, and education. The utilization profile that helps to distribute health care costs by age and sex is provided by the costs of disease.

To estimate care giving and receiving in the private sector, we use time use and wage data to complete the picture. For the United States, the American Time Use Survey (ATUS) for 2009 is used. This survey asks one person in a subset of households in the CPS to fill out a time diary of 24 hours is filled out in 15-minute increments, with a sample drawn to be nationally representative and weights are included so that statistics derived from the data represent an average day. The activities are coded and grouped into different household activities such as cleaning, cooking, caring for children or others, etc. For each type of activity, a representative wage is imputed, with the wage data coming from a national labor force survey. In this way, the results are derived in terms of time spent on different activities, or in monetary units which can be compared to the market accounts. For Germany, the Time Use Survey 2001/02 is employed. The scientific use files for Germany include 5,400 households, 12,600 individuals, and 37,700 diary entries. Individuals were asked to fill in a calendar for three representative days, reporting all of their activities that require at least 10 minutes of attention. The monetary accounts are derived in the same way as for the United States, using replacement wages for household activities.

3. Expected Results

The impact of policies on individual behavior is difficult to study. International comparisons across countries can therefore help to investigate how different institutional settings shape the individual lifecycle. We expect to find the different family policies to be reflected in the choices of individuals, and the arrangements for care. We will be able to show a detailed set of market-based and household production age profiles and how this compares across the United States and Germany. The results will enable us to get a better understanding of how individuals chose in different institutional settings and what policies they result from. Against the background of population aging it is important to understand how policies affect choices for care.

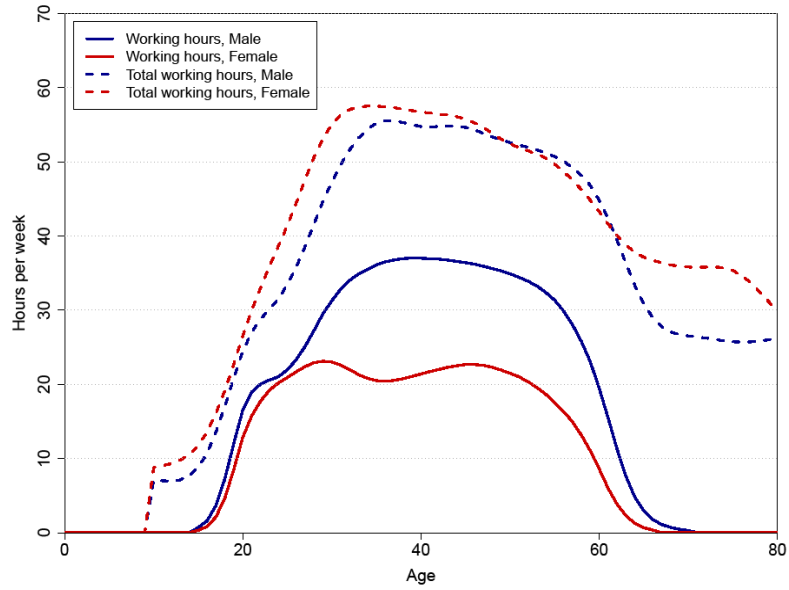
The graphs following give some flavor of the results and show a central puzzle that will be discussed in the final paper. Figure 1 shows the market and total working hours, with total working hours meaning market work plus household and care work, for men and women in the two countries. The two countries look remarkably similar, with young men and women spending about the same time in market work (solid lines) as men, but beginning with the groups in the mid-20s, men spending much more time than women. Including the time spent in household and care activities, though, makes the sexes look remarkably similar to one another, with women only spending a small amount of additional time compared to men at most ages. So, even though Germany has very generous programs to subsidize the provision of care work by family members and the U.S. has very little, we see no appreciable difference between the time spent in this kind of work between the two countries. In the final paper, we will explore this results by breaking down the production graphs by full-time versus part-time market work for the two countries, and by specific household or care activity for unpaid household work.

In addition, the final paper will have both market- and household-production curves valued in monetary units as well, and will include imputed consumption curves by age also. Looking at these finer-grained results will suggest whether the very different policy approaches of the United States and Germany is reflected in any differences in the two countries in the production and consumption of both market goods and services and household-produced unpaid services.

NOTE: Final paper may be a three-country comparison, including results for Hungary.

Figure 1. Working hours (market work) and total working hours (augmented with hours spent in household production).

A. Germany, 2001/2002



B. United States, 2009

