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Affordability of care and quality of work. New trends in elderly care

Annamaria Simonazzi

La Sapienza University of Rome

and

Fondazione G. Brodolini

Ageing population ➔ increasing need for LTC ➔ sustainability

Search for new solutions to sustainability
- Home care and monetary subsidies (cash for care)

Increasing role of the market:
- more care outsourced by the family
- more care contracted out by the public sector

Two main policy trade – off:
- **Universal coverage versus financial sustainability;**
- **Quality of work versus affordability of care**

Affordability of care

Excess demand for **affordable** paid care

- How to increase supply to meet demand
- How to ensure affordability while pursuing job quality

The cost of care to the families is affected by:

- the intensity of care (that determines the total number of hours of care, as well as the share between professional and unskilled care work)
- the share of public financing and provision
- the cost of paid work

Interpersonal features of care ➔ labour intensive sector

The cost of labour is the main factor

A dynamic, low pay sector

- A booming sector in terms of employment
- 10% of total employment in the EU27 in 2007
- growth projected to continue in the future

- **Care is a traditionally low-pay, low-status sector, highly feminised, with a chronic excess demand,**

- **Excess demand, cost constraints and the existence of flourishing grey markets have attracted migrant carers, mostly women**

- Differences in quality and structure of employment across countries

which reflect how work is organised within the sector, as well as the institutional and cultural factors that shape the national employment models (e.g., education, training and credentialing for formal care workers)

Fonte. Nostra elaborazione sui dati Labour Force Survey, (settori ISCO 223, 323,346,513,913)

1.care labour shortage and wages

Why does the existence of an excess demand for care workers not drive up wages?

Supply and demand factors:

- an (almost unlimited?) supply of cheap labour
- wages are constrained by the price elasticity of demand and/or income constraints, given inadequate public policies in the field of elderly care.
- Thus, the level of wages in elderly care relative to the average in the rest of the economy depends largely on institutional factors, and relatively good working conditions will mostly affect the composition of the care labour force (between indigenous or migrant workers).

Wage penalties

Context matters: national policies and discrimination

Workers in care employment may be more likely to earn care bonuses in contexts where income inequality is low, union density and the public sector are large, and public spending on care is high.

Conversely, wage penalties are more likely to exist where the labour market context is less egalitarian and less oriented toward public sector jobs, and the public spending on care is low.

Because of discrimination and vulnerability

immigrants may be more likely to work in low-level care jobs and to command lower wages.

Female immigrant carers may face even larger wage penalties compared to more socially powerful workers.

(Budig and Misra 2011)

2. Cost of care labour and demand

- Care labour cost
  relative to ➔ demand for regular carers
- median take-home pay

The fiscal wedge between care labour cost and carer's take-home pay (i.e., taxes and social contributions) measures the advantage of irregular over regular care workers.

- fiscal wedge = care labour cost – carer's take home pay

➔ advantage of hiring an irregular worker

Policies to make market care affordable

Reducing the carer's cost by acting on the wage or on the wedge:

- reducing the wedge via subsidies (France and Belgium)
- reducing the cost by containing the wage of regular care workers via reforms in the care or labour market (UK and Germany);
- reducing the cost of care by tolerating a high rate of irregular migrant workers (Italy and Austria).

1. Reducing care cost by subsidising regular care

France: The Borloo Plan (2004)

- Create regular jobs in the SAP by promoting the outsourcing of domestic services.
- Address cost and complexity
- Address working conditions: improve pay, social rights and the qualification of the employees.
- Address service providers' efficiency and quality

Belgium 2001: a service voucher scheme to

- encourage the demand for domestic and proximity services,
- create jobs, specifically targeted to long-term unemployed and other excluded groups
- provide incentives to convert undeclared work into regular employment
- support reconciliation thus enabling female workers to (re-)enter the labour market

France

- Direct employment or employment agency
- Fiscal package: tax breaks, social contributions and VAT reduction
- Tax advantages:
- - Customers who use SAP through the CESU, can claim back half of their expenses (wage + social contributions) from their income tax up to 6000 euros (that is 50% of 12000 euros) for care for children and dependent people. (up to 20000 in special cases of disability).
- Cesu Prefinancé
- - Does not entail social security contributions, thus the employee receives the full amount of the CESU which corresponds to the cost to the firm.
- - can be treated as expenses (up to 500,000 Euros per year), resulting in a 33% tax break for companies liable to corporation tax. In addition, companies receive a 25 per cent tax credit on the nominal value of the issued voucher. (Ekert/ Sommer/ Holick 2009).

Table 2. France: policies to create regular workers in the personal services

	Social contributions	Tax credits	VAT
user			
Direct employment	Reduced to: 15% 0 if >70 or >65 non self-sufficient	50% of expenses ceilings: 6000 Child and >65 co-habiting 7500 >65 80% disability co-habiting 10000	
prestataire		50% of expenses ceilings: 6000 Child and >65 co-habiting 7500 >65 80% disability co-habiting 10000	Reduction of VAT from 19.6% to 5.5%
CESU prefinancé (firms)	The CESU is not considered as wage, so no social contributions are due up to 1830 €	25% up to 500.000 €	
Accredited organisations	No contributions up to the minimum wage Total exemption for workers caring for >70 or dependent people (no wage limit)		VAT reduction if working only in the SAP sector

The Belgium voucher system

Cost to the user € 7.50,
but 30% of this is tax deductible,
the final hourly cost to the consumer is of 5,25 € per hour.

The company is paid €20,80 per hour
- the value of the voucher, € 7.50,
plus a government contribution of €13.30

No specific eligibility requirements for workers, (no user's family member)

Must have a 'service vouchers employment contract' with a registered company: differently from France, no possibility of direct employment by users.

May be in receipt of unemployment benefits, minimum income, or social financial aid

Cost benefit analysis

Difficult to calculate: subtract from to the total cost the benefits deriving from the direct and indirect creation of employment (or the emersion of irregular work)

- lower unemployment benefits,
- higher tax receipts and social contributions,
- social benefits deriving from the regularisation of irregular workers and the greater economic independence of a marginalised segment of female population, at high risk of inactivity, precariousness, and exploitation.
- right to a future pension reducing the risk of poverty in old age.

Belgium: the net cost of the scheme estimated at about 60% of gross disbursement

France: 5.76b euro in 2007 (7% of total spending for labour policies)

Employment

France: between 2005 and 2009 102,000 full time equivalent jobs have been created in the sector (390000 new jobs).

In 2009 the sector employed 2 million workers, for a Value Added of 16b euros (0.93% of GDP and 4% of total hours worked in the economy).

Elasticity of demand: distinguishing between job creation and regularisation.

Estimates seem to suggest a very high elasticity of demand for regular employment: a 10% reduction in the degree of subsidisation of social contributions would lead to a 13.5% drop in service demand, and to a reduction of 4.9% of services declared (Cour de Comptes 2010).

There is, finally, the problem of job diversion: employers that would have used the services anyway, and are now taking advantage of the fiscal benefit. (regressive?)

2. Reducing care costs by keeping regular workers' pay down

Britain: from a mixed economy of provision to a mixed economy of commisisoning

- targeting services to the more disabled
- enable people to stay in their homes for as long as possible
- promote the role of the independent sector in the provision of formal care (contracting out) to develop a 'mixed economy' (quasi markets)
- Free choice: Direct payments and personal budgets

Germany:

- The LTCI provides only a partial coverage
- families need to buy supplementary care services from the market
- two sources of supply: irregular foreign carers, and employment in private households in the framework of mini-jobs

Britain: Consequences for the care labour market

Service providers squeezed by LAs pass the pressure over onto workers in the private sector (general worsening of pay and working conditions).

From the monopsony of the Las to the fragmentation of users:

the personal budget can give way to the development of an informal market with the hiring of carers at rates below the minimum wage

Table 3 England: median and average hourly rates of pay by sector*

	Private sector		Voluntary sector		Council	
Job role	Median	Average	Median	Average	Median	Average
Care Worker	£6.00	£6.16	£7.03	£7.22	£7.73	£8.20
Senior care worker	£6.70	£6.80	£8.08	£8.19	£10.69	£10.46
Support worker	£6.50	£6.68	£7.90	£8.10	£9.80	£9.71

•Includes workers in home and residential care.
The minimum wage in October 2008 was £ 5.73 (raised to 5.80 in October 2009).
Source: NMDS-SC based on records received between Oct 2008 and September 2009 (Eborall et al., 2010).

Regular foreign workers

- In 2008 foreign workers accounted for 18 per cent of *all* care workers (as against 13% of migrants in the labour force).
- more than doubled over the past decade (it was 8 per cent in 1998)
- Migrant workers make up a higher share of the nursing workforce – 23 per cent (up from 13 per cent in 1998) disproportionately concentrated in social care.
- Foreign nationals are less unionised[, work longer hours, worked night-shifts: 21.5 percent of British workers as against 60.9 percent for foreign workers
- but do not work more overtime.

TheGerman labour market and the Mini-Jobs

- Mini-jobs (2003) as part of the “making work pay” strategy
- Rebate of social contributions and tax credit for minijob workers hired by private households
- The minimum wage introduced for care workers in 2010 (€8.50 in western Germany and Berlin and €7.50 in Eastern Germany) does not cover caregivers directly employed by private households
- Gresham’s law, with non-subsidised jobs been squeezed out by subsidised jobs, rather than easing the regularisation of irregular jobs

C. Minijobs: tax incentives

	Social Contributions	Tax rate	Tax rebates (maximum)
Employee	0	0	
Employer	30% (pension, health and tax rate 2% flat)		
Employment in social care and domestic services			
Employee	0	0	
Employer (family)	14,27		510 €
If elderly person	14,27		924 €

Mini-jobs vs. irregular carers

B. Cost of care per month, 2007

Legal migrant domestic help	1029-1300 (1500-2000)	gross
Self-employed	800-1200	Plus mediation fee
Posted care worker (low qualified)	1200	Social contributions and tax in the sending country
Irregular worker	600-1400	
24 hours carer		
Regular German national	2700-3200	gross
Regular migrant	1200-2500	plus board and lodging
Irregular migrant	500-1000	Plus board and lodging

3. Reducing care costs by tolerating irregularity

The **Austrian long-term care system**:

- Direct cash benefits staggered on 7 levels (from € 154,20 to € 1.247,05 per month)
- Family care: 80% of elderly persons in need of care are cared by relatives (free social insurance - Health, Pensions - for family carers)
- The need to cover 24-hour care has given rise to a flourishing grey market, fuelled by illegal immigrants organised on a rotating basis of two-week shifts.

The Italian long-term care system

- Untied cash trasfert (eg. attandance allowance)
- Illegal/irregular care market
- Family care providers (unpaid)
- Highly decentralised system, with regions responsible for health and care provision

Austria: the 2007 amnesty for 24-hour carers

2007 law to tackle illegal work in dependent elderly people's households

- Legalization of 24-hour-assistance
- applies only to the medium and most severe levels of disability (levels 3-7)
- the subsidy covers social security contributions, which differ according to the type of contract
- Users receive cash benefits when using regular carers (550 to 1.200 euro per month, depending on the type of contract), to pay for their social contributions.
- Current level of legalization is about 89 %, mostly free-lance.

Table 5. Austria. Cost of care attendants and amount of subsidy granted

	Cost (48h/w; 168h/month)	Subsidy	Cost to the family	Care allowance (3-7)*
Carer employed by:				
family	3200	1200	2000	442.8 - 1665.8
NGO	4600	1200	3400	
Free lance	1500	500	1000	

* Disability level 3 to 7 only; plus pocket money: 43,29 euros per month.

Source: T. Schmidt, Migrant carers in private households, mimeo April 2010.

Italy:

Extremely low amount of tax benefits, that does not cover the tax wedge:

- a maximum tax credit of €399 for income < 40000
- a max. of € 666 for income > 40000

Extremely limited system of vouchers (at the regional and local level)

failure of the last amnesty (2009)

- Fiscal wedge too high relative to tax benefits.
- National contract for domestic workers too onerous
- General climate of tolerance for irregularity

Table 6. Italy. Average cost per month for a family assistant at home (Level CS, 2010)

	Co-residing (54 h/week)	Co-residing (25 h/week)
With contract "COLF"	1400 €	950 €
Without contract (average)	1000 – 1200 €	700-800 €

Source: Pasquinelli and Rusmini 2010

Conclusion

- Is there a trade-off between regular “good” jobs in the care sector and affordability of care for the greatest possible number of those who need it?
- high price elasticity of demand induced by income constraints, but care wage penalty correlated with the national labour standards
- if the state is not ready to regulate and subsidise the care market, cheap domestic labour in the regular sector is required for economies to rely less on the non-standard, irregular sector (migrant carers, but also natives)
- deregulation of the labour market might open up the regularisation of former irregular migrant care workers, who can be hired on relatively economical conditions, at the cost of further debasing care work

Are alternatives feasible?

- budgetary implications of policies subsidising demand for regular workers
- direct and indirect effects may contain the net cost to the state
- However, current fiscal crisis has made the “low road” more likely

Trade-off between regular cheap labour and irregular labour?

"Countries that satisfy their need for cheap labour through standard employment do not develop large non-standard sectors of their economies. Countries that do not promote cheap labour in the standard sector, on the other hand, end up relying on an army of non-standard workers (including immigration) to meet their cheap labour needs". (King and Rueda, 2009)