Dependency and poverty:
The effect of private care resources on dependent elderly people and their families' income

Matteo Luppi
Collegio Carlo Alberto
matteo.luppi@carloalberto.org

Introduction

This work starts from the premise that dependency represents a significant risk factor that considerably increases the risk of poverty. Families with dependent members often experience a 'compression' of their living standards due to two main factors: the reduced capacity to work for the family members who have to reconcile care and work, and the fact that dependency entails higher expenses for routine activities, especially for health-related costs. In this regard, research findings (OECD 2011) show that in several countries the cost associated with the care and assistance to the elderly with a high level of dependency exceeds the individuals' income, up to the sixth income decile. As claimed by Costa and Ranci (2010), the presence of dependent persons significantly affects both the organization of their families (the household's members who assume care-giving responsibilities must reconcile paid work with care, by accepting jobs with reduced hours or low wages), and the household's overall income. While family caregivers often act as a social safety net for older care receivers (Lubben,1988), research findings consistently indicate the associated caregiving burden that family caregivers experience, and its financial cost (Lai, 2012).

Private resources allocated to care are the focus of this research. According to Fast *et al.*(1999), who propose a taxonomy of hidden costs related to elderly care[1], private resources devote to care include both direct monetary expenses (out-of-pocket expenses) and time, unpaid labour and employment related costs (informal care). In this study we start from the premise that the level of private resources devoted to the care of the frail elderly affects the economic condition of dependent elderly and their families. To this end, the aim of this article is to assess if the private care resources and the dependent condition can be considered increasing factors of the risk of poverty for dependent elderly people and their families, namely, the dependent elderly and their partners, and their adult children, as informal caregivers.

This article derives from a broaden research project[2], whose goal was to analyses the reform processes that have interested the Long-Term Care (LTC) sectors across European countries in the last decades (Ranci Pavolini, 2013, Gori et al., 2015), in relation to the (growing) family involvement in elderly care. These reform processes aimed at increasing the LTC systems sustainability through: *i)* public spending reorganization/reduction; *ii)* a growing individualization of care, through both the process of marketization of care, and greater reliance on the family; *iii)* the narrowing of the accessibility to services through the process of targetization of care. Starting from these premises the research project was based on two consequential hypotheses, which are related to the macro (H1) and micro (H2) assumptions respectively. The first hypothesis (H1) is that reforms determine a shift of the responsibility of care from the public to the private sphere, generating a growing involvement of the family in the care process. The second hypothesis (H2) maintains that, due to this shift of responsibility, families became the main actor in the care of the elderly, both directly, providing care, and indirectly, financing services; the reduction of the public role can

---

[1] They identify two components of hidden costs in elderly care: economic costs and non economic costs. In turn, the first aspect derives from three distinct factors: employment-related costs; out- of-pocket expenses and unpaid labor; whilst the second aspect derives from: physical costs; social costs; and emotional costs.
[2] Actually, it was my PhD research project.

have an economic impact on the dependent elderly and their relatives, increasing their probability to be at risk of poverty.

This article focuses on the economic impact related to dependency condition and private care resources (H2), investigating if it is possible to identify a relationship between the latter and the risk of poverty for dependent elderly and their informal caregiver, and if the economic crisis has exacerbated this relation.

Theoretical approach

Demographic, economic and social changes – the ageing of the population, decreased fertility, the shrinking of family size, increase in the female activity rate – have radically increased the need for elderly care in all advanced countries. These demographic and social changes indicate a growth in care needs as well as a reduction of the family care capacity at the same time. Considering that families still are the main agency in care provision, these transformations indicate that a large pressure, in terms of caring activities, is (and will be) posed on the shoulders of the dependent elderly and their adult children.

Literature on the LTC sectors organization suggest that over the past twenty years the LTC sector has experienced an overall growth in public financing, an increase in beneficiaries, and a broadening of public responsibilities throughout Western Europe. This has taken place in counter-tendency with respect to the main sectors of social policies. However, all European countries, in different degrees, are facing the problem of LTC sustainability and, consequently, a reorganization and/or reduction of their costs. A central element of the reforms that are affecting the LTC systems concerns *"the capacity of public spending to meet rising long term care expenditure […] and the issue of sustainability arises in relation to private as well as public expenditures* (OECD, 2005; 82). As suggested by Pommer (*et al.,* 2007), a possible outcome of these reform processes consists in the reduction of the public role in favour of an increase in the private dimension, both care provision and financing.

These divergent trends - reduction of families caring capacity VS reformulation of public responsibility in elderly care -, seem to indicate a widening gap between the demand and the supply side of elderly care services. In recent years this gap has been addressed, intentionally or unintentionally, via market solution. In some Northern European countries there has been a convergence toward quasi-market or market mechanisms in elderly care services provision (Leichsenring et al*.,* 2013), while in the Mediterranean area, the scarce public role in terms of financing and regulation of the LTC systems, resulted in a massive recourse to (usually informally employed) migrant care workers (Leon, 2014; Simonazzi 2009). Despite the different approaches, the common aspect in the recent development of elderly care is the shift toward private responsibility, via market solution, or, when it is not possible, directly by families.

since the trend in elderly care sectors is moving toward market mechanisms and private responsibilities, and the care itself involves a direct and indirect economic involvement: does the dependency condition represents a risk of poverty for the dependent eldrley, and using an intergenerational perspective, this risk can affect also their adult children, who represent, after partners, their main care providers?

Data and Methods

The analysis is based on SHARE data (Survey on Health, Ageing and Retirement in Europe), particularly on the second, and the fifth wave, which respectively provide data on the year prior (2007) and after (2013) the economic crisis. The dataset have been divided in two subsamples on the basis of the age of the interviewed people: persons aged between 50 and 64, for the "adult children" model (A), and persons aged over 65 in the dependent elderly model (B). The country selection has been based on data availability, namely, countries that have attended in both waves. It follows that the 12 countries selected are: Austria, Belgium, Czech Republic, Denmark, France, Germany, Israel, Italy, the Netherlands, Spain, Sweden and Switzerland.

Hypotheses were empirical tested through the use of multilevel mixed-effects model comprising two levels: the adult children (A) and the dependent elderly (level 1), and the household (Level 2); while we kept the country level as fixed effects. We chose a multilevel framework to control for the likely similarity (correlation) between the observations referred to the same individual given the nested nature of individual within families, and possible composition effects within countries related to the demographic profiles of respondents and their characteristics (DiPrete and Forristal 1994; Snijders and Bosker 1999). Multilevel models also allow accommodating for the unbalanced character of the subsample design, wherein individuals may be either single or in couple, and can have all, or only some of the parents alive. A standard approach, disregarding these similarities and asymmetries, might have resulted in biased estimation of the coefficients and standard errors in the analysis.

Result

Currently we are in the finalizing phase of the analysis. Previous research (Luppi, 2014), using less refined methodology: confirmed the existence of a relation between the level of private resources that the family of a dependent elderly devotes to care, and the probability to fall into poverty; identified the dependency condition as in increasing factor of risk of poverty, especially in time of economic crisis; and suggested, referring to a limited set of countries, the intergenerational impact of the dependency condition.

Reference

Costa G., Ranci C., 2010, *Disability and Caregiving: a Step Toward Social Vulnerability?,* in Ranci C. (ed.) “Social Vulnerability in Europe. The New Configuration of Social Risks, Palgrave Macmillan, New York.

DiPrete, T. A., and Forristal, J. D., 1994, *Multilevel models: Methods and substance*, Annual Review of Sociology, 20: 331-357.

Fast J.E., Williamson D.L., Keating N. C., 1999, *The Hidden Costs of Informal Elder Care,* Journal of Family and Economic Issues, 20, 3, pp. 301-326.

Gori, C., Fernández, J.l., Wittemberg, L., 2015, *Long-Term Care reforms in OECD countries. Successes and failures*, Bristol: Policy Press.

Lai, D. W., 2012, "Effect of Financial Costs on Caregiving Burden of Family Caregivers of Older Adults", SAGE Open Dec 2012, 2 (4)

Leichsenring, K., Billings, J., & Nies, H., 2013, *Long-term Care in Europe: improving policy and practice,* Springer.

Luppi M., 2014, *LTC reform processes and risk of poverty for dependen t elderly and their adult children*, presentet at The Netherlands ESPAnet conference, 12/10/2014.

Leon M., 2014, "The transformation of care in European societies", Palmgrave Macmillan.

OECD, 2005, *Long-Term Care for Older People,* OECD Publishing, Paris.

OECD, 2011, Help Wanted? Providing and Paying for Long-Term Care, OECD Publishing, Paris.

Pommer E., Woittiez I., Steven J., 2007, *Comparing Care. The care of the elderly in ten UE-countries*, The Netherlands Institute for Social Research/SCP

Simonazzi A., 2009, Care regime and national employment models, in *Cambridge Journal of Economics*, 33(2), 211-232.

Snijders T., and Bosker, R., 1999, *Multilevel Analysis: An introduction to basic and advanced multilevel modelling*, London: Sage.

Ranci, C. and Pavolini, E., 2013, (eds.). *Reforms in Long-Term Care Policies in Europe*, Springer-Verlag, New York.