

Home care and the labour force participation of household members

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Abstract

While the reform of the social care insurance system in Germany has received deserved political attention, the public has also focused on the dignity and quality that the system provides to the care recipients. However, the preference for informal home care in this debate barely recognizes the opportunity costs that care givers have to bear: a care recipient may put a high restriction on the time devoted to employment. Therefore, this paper explores the influence home care has on the labour force participation of caregivers who live in the same household with the care recipient.

I use the German Socio-Economic Panel for the years 2001–2005 which allows me to match the attributes of caregivers and their corresponding recipients. The selected period allows me to use information on the care hours and the care level of the disabled which is only available from 2001. Furthermore, I separately look at female and male caregivers who are 35–64 years old.

I address three problems: (a) the endogeneity of care hours, (b) unobserved heterogeneity, and (c) panel attrition. Caring and the labour supply decision might be endogenous. Individuals who work might be less willing to give care while those who are not employed might be more ready to help. I use efficient GMM estimation to test for endogeneity by using the characteristics of care recipients as instruments for care hours. It is reasonable to assume that these do not have an influence on the labour supply decision while they remain important determinants of care hours. However, its endogeneity is rejected for both men and women. Additionally, the panel structure allows unobserved heterogeneity, which is probably present in care giving, to be taken into account. I also test for sample attrition, which turns out to be unproblematic.

The results show that having an individual in need of care in the household does not necessarily decrease labour supply. However, if the hours in which care is provided become longer and the tasks become heavier, the influence on labour supply is negative.

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