The Effect of Cash-for-Care Benefits on Home-Based Long-Term Care Use: A Panel Data Approach for Selected European Countries

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The 6th International Conference on Evidence-based Policy in Long-term Care
Sept 7-10, 2022

Outline

1. Motivation
2. Theoretical foundation
3. Data & Method
4. Results
5. Conclusion

The 1990s - A paradigm shift in long-term care polcies in continental Europe?

The introduction of care allowances

Central and Western Europe[1]*:*

- family responsibilities (and some social provisions) have traditionally characterized care for the (elderly) disabled
- new awareness since the 1990s $\longrightarrow$ social protection schemes based in particular on cash-for-care interventions.

Northern Europe[2]*:*

- Well established LTC policies before the 1990s
- primarily introduced into an existing LTC system in order to make it more flexible

Southern and Eastern Europe:

- Southern Europe: still very family oriented with little public support

[1] Conservative
[2] Social democratic

Motives:

1. free choice
2. foster family care
3. cost-effective means of preventing institutionalization

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Research questions

Primary goal: study the effectiveness of cash-benefit programs in conservative welfare states

1. How has the receipt of cash benefits influenced individual choice of care?
2. Are there country-specific differences in the effectiveness of long-term care cash benefit systems in conservative welfare states? [3]

[3] w.r.t. specific regulations with regard to eligibility rules, the use of cash transfers (i.e., choice restrictions), the funding and copayment system, the kind of working relations promoted

Encouragement or crowding out of the family?

Receiving cash benefits could lead to a *decrease* in informal care use...

Hypotheses 1: Substitution

cash-for-care $\uparrow \longrightarrow$ *crowding-out of the family ("intra-family moral hazard")*

Receiving cash benefits could lead to an *increase* in informal care use...

Hypotheses 2: Encouragement

cash-for-care $\uparrow \longrightarrow$ *opportunity costs (i.e, time)* $\downarrow$

OR

Hypotheses 3: Mixed responsibility

cash-for-care $\uparrow \longrightarrow$ *mixed forms of care* $\uparrow$

Variables

Care use[4]

$$y_{ij} = \begin{cases} 1 & , \quad \text{informal} \\ 0 & , \quad \text{otherwise} \end{cases}$$

Source: SHARE[5] (2006 - 2020)

Coverage: community-dwelling adults aged 65+ with at least one limitation with instrumental activities of daily living (IADL)

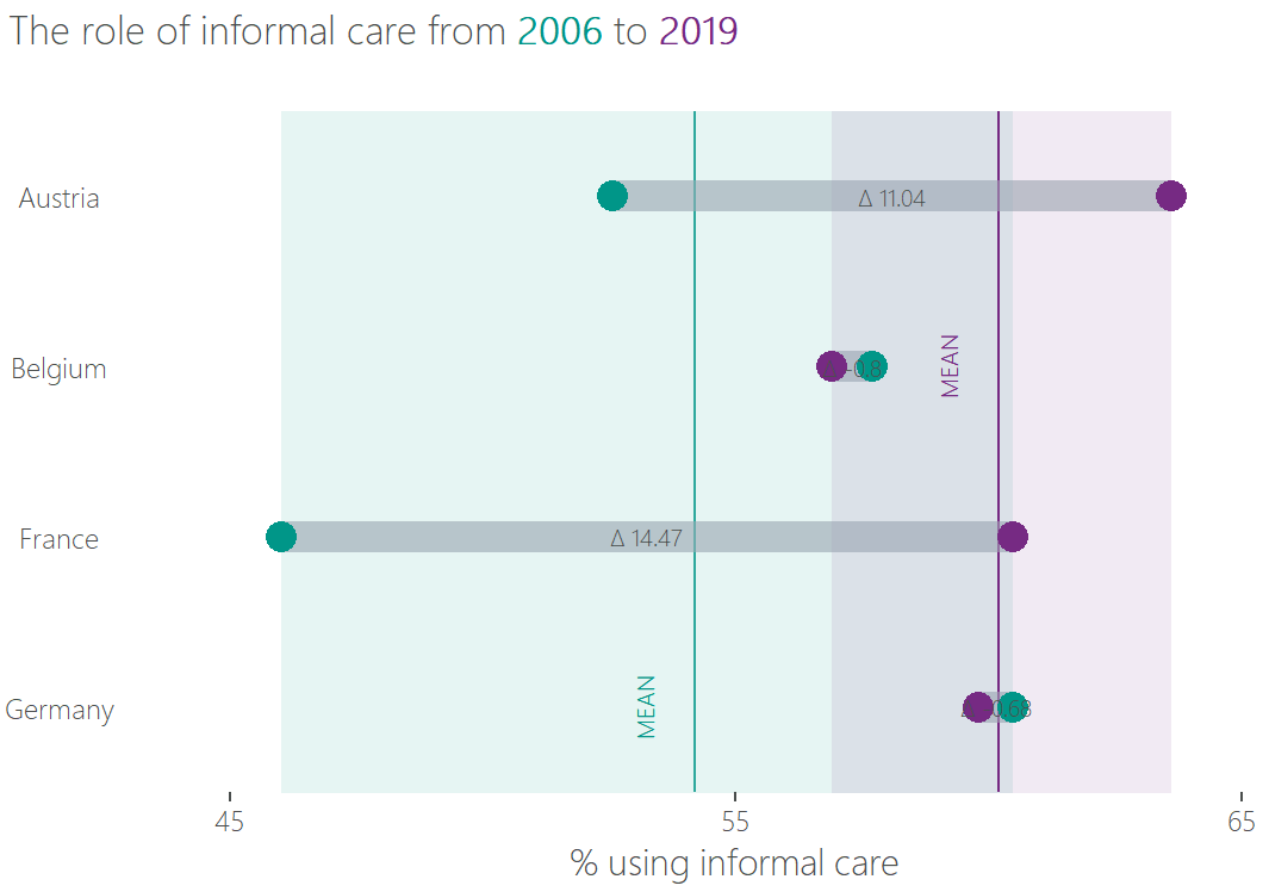
Sample: Austria, Belgium, France, Germany

Number of observations: 6,354

[4] i.e. whether a person received paid/unpaid personal care during the last 12 months (e.g. dressing, showering, eating, getting in/out of bed, using the toilet)

[5] Survey of Health, Ageing and Retirement in Europe (Wave 2-8)

Informal care in conservative welfare states



Sample: Older adults aged 65+ and having at least 1 limitation with IADL

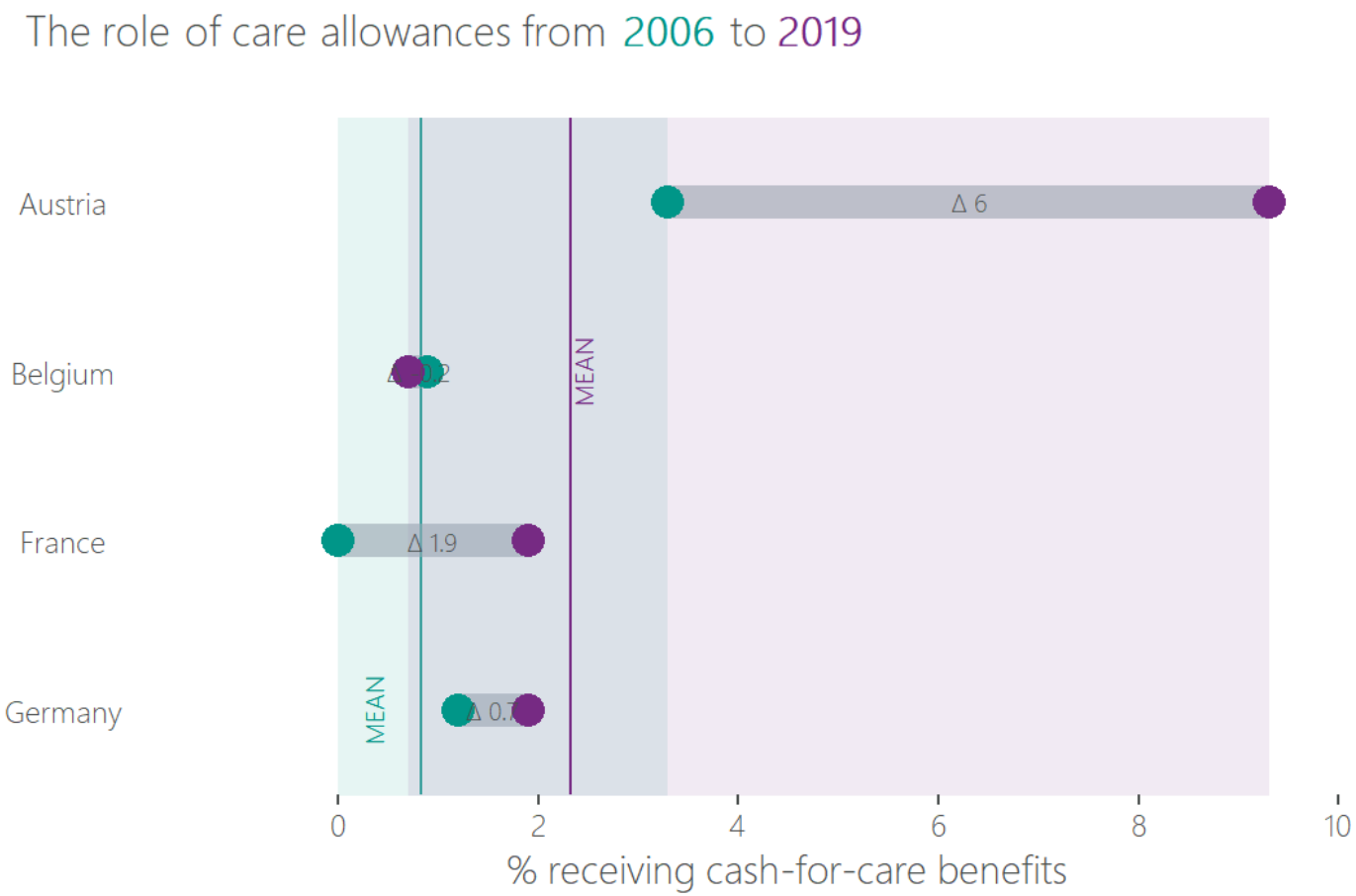
Independent variables

Receipt of cash-for-care benefits

- *In the past year, have you received income from public long-term care insurance, including cash payments meant to provide for long term care needs?*

Others: predisposing factors (gender, age), need factors (iadl, gali), social resources (spouse/partner), material resources (income, ownership status), education, formal care use

Care allowances in conservative welfare states



Note: Data is sourced from the Survey of Health Ageing and Retirement in Europe (SHARE)

Estimation method

OLS Approach

$$informal\ care_{it} = \beta_1 cash\ benefit_{it} + \beta_2 X_{it} + \alpha_i + u_{it} \quad (1)$$

,with i= 1,. . . ,n and t= 1,. . . ,T (i.e. waves). The α_i are entity-specific intercepts that capture heterogeneities across entities.

IV Approach

$$cash\ benefit_{it} = \sigma_0 + \sigma_1 granting\ generosity_{it} + u_{it} \quad (2)$$

$$informal\ care_{it} = \beta_0 + \beta_1 cash\ \hat{b}enefit_{it} + \epsilon_{it} \quad (3)$$

Regression results

	Dependent variable: informal care	
	(1, OLS)	(2, IV)
age	13.682*** (2.360)	13.648*** (2.381)
age^2	−5.458** (2.207)	−5.463** (2.286)
iadl	0.110*** (0.014)	0.110*** (0.014)
gali (limited)	0.636*** (0.078)	0.636*** (0.078)
gender (female)	0.118** (0.057)	0.117** (0.057)
social network (spouse/partner)	0.172** (0.078)	0.172** (0.081)
2nd income quintile	0.122* (0.073)	0.123* (0.073)
3rd income quintile	−0.177** (0.080)	−0.177** (0.078)
4th income quintile	−0.202** (0.090)	−0.202** (0.090)
5th income quintile	−0.161 (0.101)	−0.161 (0.101)
home ownership (yes)	−0.068 (0.059)	−0.067 (0.058)
education (years)	−0.001 (0.007)	−0.001 (0.007)
cash benefit receipt	**0.468***** (0.119)	**0.635*** (0.388)
formal care	0.696*** (0.078)	0.697*** (0.078)
Country dummies	Yes	Yes
Observations	6,354	6,354

Note: *IV = Generosity in granting of benefits *p<0.1; **p<0.05; ***p<0.01

Heterogeneous effects across countries?

Table: Interaction terms

	Dependent variable:informal care	
	(1, OLS)	(2, IV)
Belgium × cash benefits	0.043 (0.446)	21.418 (39.182)
France × cash benefits	0.933* (0.517)	15.621*** (0.517)
Germany × cash benefits	0.313 (0.298)	8.158 (11.922)
Observations	6,354	6,354
Note:		*p<0.1; **p<0.05; ***p<0.01

Country regressions

	Dependent variable: informal care			
	(1, AT)	(2, BE)	(3, FR)	(4, DE)
cash benefit receipt	0.378**	0.293	1.205**	0.565**
	(0.164)	(0.427)	(0.504)	(0.268)
formal care	0.873***	0.770***	0.163	1.168***
	(0.208)	(0.126)	(0.147)	(0.191)
other		*not displayed*		
Observations	1,260	2,130	1,650	1,314
Note:				*p<0.1; **p<0.05; ***p<0.01

Encouragement or crowding out of the family?

- Informal care remains the cornerstone of long-term care systems in continental Europe
- The introduction of cash-for-care has further increased the role of informal care over the last decade (especially in Austria, France and Germany).
- Both OLS and IV method show similar and consistent results, with receiving care allowance increasing the probability of receiving informal care by about 0.47 (OLS) and 0.64 (IV)
- Contrary to what may be expected, the introduction of care allowances seems to have led to a greater use of mixed forms of care[6] (i.e., mixed responsibility)

[6] especially in german-speaking countries

Similar, but yet so different?

Do standard classifications still represent European welfare typologies?

- Closer inspection of cash-for-care schemes in these countries reveals some striking differences among them
- nature of public benefits, responsibility of regional authorities and the federal government and overall structure of care system (eligibility, generosity) is different
- French cash benefit system differs most from that of other conservative welfare states in that the impact on informal care is significantly stronger (but still positive)

Implications

$\Longrightarrow$ Cash benefits for care are an effective means to support family care
$\Longrightarrow$ design of these services is crucial for their effectiveness and combination of care with formal support

Thank you!

If you have questions/comments:
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Welfare states in Europe - Similarity scores

Results for social care similarity.

	at	be	De	Dk	es	fi	fr	ie	it	nl	se	uk
at	–	0.53	0.60	0.00	0.23	0.21	0.40	0.42	0.40	0.53	0.00	0.43
be		–	0.67	0.13	0.15	0.07	0.67	0.42	0.27	0.47	0.13	0.29
de			–	0.13	0.08	0.21	0.67	0.25	0.20	0.40	0.13	0.36
dk				–	0.00	0.50	0.27	0.00	0.00	0.20	0.87	0.14
es					–	0.17	0.15	0.40	0.69	0.23	0.00	0.25
fi						–	0.36	0.08	0.07	0.07	0.50	0.43
fr							–	0.33	0.13	0.47	0.27	0.50
ie								–	0.42	0.42	0.00	0.58
it									–	0.40	0.00	0.21
nl										–	0.27	0.36
se											–	0.14
uk												–

Figure: Similarity scores across two main domains (health care and social care[7])

Source: Bertin et al. (2021)

[7] Social care includes LTC service coverage, means-testing, government responsibility for LTC, ...