

Demographic change and the labor market for long-term care in Germany

Extended Abstract

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Due to the increase in the birth deficit and the increase in life expectation the share and the absolute number of elderly people will significantly increase in Germany in the decades ahead. The labor market for long-term care will be affected by this increase since more people in need of care will live in Germany. At the same time the labor supply will decrease so that the question of the adequate provision of long-term care arises. Whereas the decrease and the aging of the population in Eastern Germany have been going on for several years, this development will only happen in Western Germany in the near future. In addition, the provision of long-term care arrangements differs significantly across the federal states. In some states professional long-term care (nursing homes and/or home care services) is more developed than in other states so that a regional perspective helps to understand the differences but also the consequences for the professional long-term care labor market.

The aim of this paper is to show on the basis of the future number of people in need of care to what extent the labor market for professional long-term care may develop until the year 2030. Based on data from the Federal Statistical Office of Germany I will show that the type of the long-term care arrangement will crucially affect the labor market for long-term care. In particular, informal care is essential since there is a substitutional relationship between informal (i.e. relatives and/or friends) and professional workers in the provision of long-term care. In addition, the demand for professional long-term care workers will decrease if there are improvements in productivity. In order to quantify these effects alternative scenarios have been developed taking into account the engagement of relatives as well as improvement in the ratio professional worker per person in need of care.

The demographic change in Germany implies two consequences for the labor market for long-term care. First, the potential labor force will shrink since the working population will decline. Second, the number of persons in need of care will increase since more elderly people and thus, in general more persons in need of care will live in the economy. The probability of becoming a person in need of care is highly positively correlated with age. Due to the differences in the age structure across the federal states the increase in the number of persons in need of care will develop quite heterogeneously. In this context, the future distribution of persons in need of care on the alternative types of care arrangements, i.e. nursing homes, home care services and/or informal care will crucially affect the labor market for long-term care. In order to quantify possible shifts in the provision of long-term care I developed two

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scenarios with respect to the distribution of persons in need of care. In the basic scenario it is assumed that the distribution of the persons in need of care on the alternative arrangements types will be the same as in the base year (2009). However, the assumption in the basic scenario that informal care will also increase in the future is critical as several studies point out. Due to an increase in childlessness over the last decades, the increase in geographical distance between parents and children and the increase in labor market participation of women it is argued that the level of informal care remains (at best) constant in the future. As a consequence, home care services as well as nursing homes will presumably experience a significant increase in demand. Against this background, I developed an alternative scenario where the absolute number of informal care is pegged to the level of the year 2009. Overall, both scenarios show the likely range of the future number of persons in need of care covered by professional long-term care providers. Comparing the basic with the alternative scenario clearly shows that there is a high substitution effect between informal and professional long-term care provision which will eventually be reflected in the future demand of professional long-term care workers. In addition, there may be productivity gains in the provision of long-term care services, i.e. a better ratio of long-term care employee per person in need of care due to increased use of medical-technical equipment, changes in the structure or organization of long-term care (improvements in the qualification of the long-term care workforce; local resident communities for elderly etc.). However, given that this sector is quite labor intensive compared to other industries the progress in productivity are expected to be rather small.

These model calculations have been developed in order to demonstrate the interdependencies between informal care, professional care and technical progress and its effect on the labor market for long-term care. Without any doubt the demand for long-term care also depends on the costs for professional nursing homes and home care services. On the supply side the earning situation is decisive for individuals to work in this business. These factors will of course affect the future development of the long-term care sector. In addition, it will also affect the provision of informal care since apart from moral commitments (taking care of parents and/or the partner) financial incentives (comparing the income from long-term care with “regular” work on the labor market) are also decisive for the engagement in informal long-term care. The institutional framework and thus the incentives to engage in long-term care may change over time, eventually affecting both the future supply and demand side of the labor market for long-term care.