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Matteo Luppi

Long–Term Care reforms in time of economic crisis

How elderly care affects family and their private resource in Europe

Aracne editrice

www.aracneeditrice.it
info@aracneeditrice.it

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Gioacchino Onorati editore S.r.l. – unipersonale

www.gioacchinoonoratieditore.it
info@gioacchinoonoratieditore.it

via Vittorio Veneto, 20
00020 Canterano (Rome)
(06) 45551463

ISBN 978-88-255-1124-6

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I*st* edition: February 2018

A Francesca, Giulio
e al nostro futuro

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Introduction

In 2060 the percentage of people aged 65 years and older will reach 30% in most European countries (Eurostat 2011), an increase of 13 percentage points over 2010 (see also Economic Policy Committee, 2001). This increase gives an idea of the needs connected with the LTC services shortly. Despite the disability rates are decreasing to a certain extent in some countries (Denmark, Finland, Italy, The Netherlands, and the USA) (Gruenberg, 1997, Fries, 1980, Manton, 1982), Lafortune *et al.* (2007) suggest that current demographic changes indicate the necessity to pay attention to the increasing demand for long-term assistance. Such recognition is, however, a recent phenomenon. In fact, as stated by Costa and Ranci (2010, 3) «care was for a long time confined to the sphere of intimacy and of private solidarity, and only in the last two decades, with the explosive growth of the elderly population, has it moved into the public domain». Due to these demographic changes the Long Term Care (LTC) policies are one of the welfare state sectors which have experienced throughout western Europe, in the last ten-fifteen years, and in countertendency with respect to the main sectors of social policies, an overall growth of public financing, an increase in beneficiaries, and a broadening of public responsibilities. Nonetheless all European countries, to different degrees, are facing the problem of the sustainability of their LTC system, and consequently a reorganization and/or reduction of their costs. A central aspect of the reform processes that are affecting the LTC system concerns «the capacity of public spending to meet rising long-term care expenditure […] and the issue of sustainability arises about private as well as public expenditures» (OECD, 2005, 82). As suggested by Pommer *et al.* (2007), a possible outcome of these reform

processes concerns the reduction of the public role in favor of an increase in the private dimension, concerning both care provision and financing.

There is a relation linking the reforms of the LTC sector and the level of private resources that these systems demand from the beneficiaries of care and their families. In turns, the characteristics of the system of care and assistance, that represent the result of this reform processes, influence and govern this relation. These features do not concern only the level of public services that a state ensures. We shall argue, in fact, that in answering the need of sustainability, the national LTC systems have pursued different reform trajectories. These trajectories interested: *i)* the structure and the role of the various actors of the market of care services; *ii)* the sharing of resources among formal care services; *iii)* the financing modalities of the system; *iv)* the public responsibility of care regarding services accessibility.

For each one of these features, it is possible to identify specific aspects affecting the degree of private involvement in the care of older adults. Our aim is, firstly, to single out those factors directly influencing the degree of reliance on individual resources devoted to care and to investigate how the European countries are distributed about this aspect. This analysis will be instrumental to our primary goal, which is to examine whether a relationship exists between the level of private care resources and the risk of poverty of dependent older adults and their families. More specifically, using selected indicators of LTC system characteristics, we present the results of a cluster analysis that considers the EU LTC systems from the standpoint of the resources — both financial and in time — which frail older adults and their families allocate to care.

The cluster analysis provides two outcomes. A map of the clustering of European countries concerning the characteristics that we have singled out as directly affecting private care resources. The identification of six European countries, representative of the various clusters that will make up the case studies of the analysis presented in the second and third part of

this book. Here, using the data of the Survey of Health, Ageing, and Retirement in Europe (SHARE), we investigate how the reforms which have been implemented by these countries have affected the dependent population (and their adult children). Particularly, using a diachronic perspective, we will focus on how the support designed for dependent older adults — both regarding in-kind services and cash benefits —, is changed over time in the last decade. This operation aims to understand how the changes in the formal sectors affect the role of the families in the care process, and thus their involvement regarding informal care and private care expenditure.

The last part of this work is devoted to the presentation of the primary results of our research. Through the use of binary logistic regression models, we test the hypothesis that the dependent condition and the extent of private resources devoted to caring increase the probability to be at risk of poverty for the dependent elderly persons' and their adult children's families.

This book attempts to bring together two levels of analysis that have usually been considered separately in social policy studies: macro reforms processes and their effects at micro/individual level.In the first part of the book, we develop the theoretical framework that links together the processes of reform that have interested the LTC systems at the macro level with the economic impact that they generate at the micro/individual level. Additionally, this analysis tries to consider simultaneously both the risk factors and the prevention factors related to the subject condition, to assess the extent to which greater reliance on the private care resources can affect the household's risk of poverty. The macro analysis highlights the existence of a trade-off between the two dimensions of private care resources, showing that the LTC systems range on a continuum, from countries in which the families are scarcely involved in the care process, to countries in which the elderly care is almost exclusively a private matter. By these results, it is possible to identify four typologies of elderly care systems. The microanalysis has allowed to better understand the consequences of the reform processes on services provision, highlighting,

counter-trend with macro data. This research is the first study (to the author's knowledge) that tries to link together, in a causal relationship, two of the leading social risk at EU level: the aging population and the poverty risk of dependent persons and their families.

PART I

FAMILY INVOLVEMENT IN ELDERLY CARE, THE INSTITUTIONAL DETERMINANTS

Chapter I

Long-Term Care reforms and family involvement

A theoretical approach

1.1. Reform in Long-Term Care systems, a common trait among Europeans countries

Rapid population aging has dramatically increased the demand for long-term care (LTC) for dependent older adults, exerting enormous pressure upon public and private finances. In response to such pressure an increasing number of countries, are trying to deal with the rapid increase of need of care work. Simultaneously, the demographic and social transformations, as population aging, decreased fertility, shrinking family size, and increased female activity rates, have affected the availability of informal family caregivers, resulting in a further increased demand of services for the care sectors. The institutional responses to these societal transformations are identifiable. In the last two decades, LTC policies are one of the welfare state fields which have experienced throughout OECD area and in countertendency concerning the principal sectors of social policies, an overall growth of public financing, an increase in beneficiaries, and a broadening of public responsibilities (Ranci and Pavolini, 2015). Ageing population and societal transformations have gradually increased the demand for elderly care across developed countries pushing national governments to reform and reorganize the LTC systems to keep pace with the growing needs. As a result, since the 1990s, LTC policies have undergone significant transformation across many countries. In some instanc-

es, these changes have been the outcome of primary explicit policy goal. Israel, Germany, and Japan, following a universalistic expansion of elderly care entitlements, experienced radical transformations of their LTC organization introducing social insurance program (Asiskovitch, 2013; Campbell *et al.*, 2010). Similarly, in Spain, the Dependency act (Ley de Dependencia) aimed to renew the traditional LTC sector through the creation of a universalistic LTC system centered on in-kind services provision. In France, the introduction of the Personal Allowance for Autonomy (APA) in 2002 matched the reorganization of the LTC scheme with work-related policies via expansion of care market (Le Bihan, 2012). A similar route was taken by Belgium in 2004, with the introduction of *titre service* voucher. Austria, with the goal to develop social services in the community, introduced in 1993 a tax-funded cash for care system (Österle and Bauer, 2012). In Australia, the Aged Care Act of 1997 aimed at a radical modification of the system through the introduction of competitive market rationalism and individual activation, both regarding responsibilities and freedom of choice (Angus and Nay, 2003). In other countries, new systems have come about through the accumulation of incremental changes. This is particularly the case of those countries characterized by a traditional universalistic approach to elderly care. Nordic countries, as Sweden and Denmark, but also the UK and the Netherlands, have witnessed minor changes mainly concerned the rationalization of care market, the boosting of home care and community services, and a redefinition of entitlement mechanisms (Ranci and Pavolini, 2013). In other countries instead, national reform has never entered the domestic political agenda. In the US but also Canada LTC has been mainly managed and financed under health pillar (and private insurance program in the US), within a federalism governance structure, which has limited the room for national reform. In Italy, the institutional inertial have characterized the government approach over LTC policy, fostering the traditional orientation toward familialistic solution supported by cash benefits (Gori, 2012). Except for the Czech Republic, characterized by a

universal long-term care system based on cash for care model (Gori and Fernandez, 2015), in other Central Eastern European countries, reforms, despite on national political agendas, have not be pursued.

In this context of great dynamicity, the recent economic crisis with the related austerity policies came in the scene. Fiscal pressure together with the forecast of constant growth in demand have boosted governments to reorganize and control public expenditure. In such context cost containment has become a major preoccupation of governments. Under general welfare state criticism, countries countered the socio-economic challenges by restructuring their mainly universally oriented LTC systems by adjusting and introducing specific policies mechanisms to combine increasing sustainability, user-oriented care demand and cost-containment goals (Pavolini and Theobald, 2015). Indeed, as Swartz (2013) noted, in light of the recent economic crisis and the resulting austerity plans, many countries have introduced changes affecting the direction and the scope of their LTC systems. Almost all EU countries have been affected by cuts or by the postponement and slowing down of the implementation of reforms. Spain is a clear example. The ambitious reform, planned for 2007, has been practically frozen by budget cuts (Cabrero and Gallego, 2013). Although no apparent retrenchment is detectable, OECD data highlight the reorganization underpinned by the OECD countries' LTC systems. While between 2005 and 2013 a positive average annual growth marks the OECD 22 countries, the 2009-2013[1] variations in GDP expenditure show a different picture. Some states have reduced public resource devote to LTC, highlighting that cost-containment measures are transversal to LTC institutional legacy of the countries. Reduction in public expenditure to LTC concerned both states characterized by a traditional universalistic approach, as Sweden and Denmark, or by institution-

[1] In this case, due to data availability, the analysis the countries considered are: NL, SE, NO, DK, FI, JP, BL, SW, CAN, AT, ES, KR, USA, PT, CZ.

al inertia, US and Canada, and even who have experienced significant reform, like Belgium and Germany.

Despite the institutional dynamicity characterizing the evolution of most of the EU LTC systems, to date, dependence is still a social risk not adequately covered by welfare systems. The traditional forms of public protection, based on the provision of invalidity pensions and health and rehabilitation services, still represent a central element of support to dependent elderly in many countries. While government insurance schemes for chronically ill people are generally not sufficient to meet the large costs of LTC, health services are still designed mainly to deal with the acute phases of the disease, not to assist dependent people for long periods of time (Pavolini and Ranci, 2008). The weak growth of LTC programmes has become increasingly apparent as the number of people who are dependent has grown. Compared to other, and more traditional, welfare pillars, these programmes still receive less public resources and financing. At the same, due to those above societal and demographic changes, there has been a decrease in the capacity of family networks to provide support and care for their dependent relatives. Faced with the dilemma of ageing population —the need to increase the sustainability of elderly care systems and the growing demands for services and care need due to societal transformations — the reform of LTC sectors have interested the redistribution of care responsibility between the three main actors involved in the care process: the state, the market and the families (Pavolini and Ranci, 2008). Scholars have interpreted these institutional reorganizations in different ways. On the one hand, the idea that the current changes are firmly connected with the pressure of costs on residential and health care and to equity and efficiency issues has become quite common in recent years (Jacobzone, 1999; Österle, 2001). According to this approach, the recent reforms implemented are designed partly to substitute, and complete, health care intervention and disability pension systems. On the other hand, the critics of this new wave of reforms, paying more attention to de/refamiliarization and care market privatization, have stressed their impact on caring,

and how it is divided among the state, the market, the family and the community. One line of criticism has interpreted these changes in public policies as a shift to market principles. It emphasizes that the introduction of social care markets and the greater division made between funding and service provision have given rise to a gradual 'commodification of care' (Lewis 1998; Ungerson, 2003) and the related increase of families' market-oriented solution for the care of their relatives. The second line of criticism focuses on the new public discovery (and use) of informal caregiving, which has occurred even in social democratic welfare regimes (Kröger and Silipa, 2005). According to this literature, the negative consequence of these reforms is the emergence of policies that promote the refamiliarization of care as a means to reduce the financial burden of public health and welfare programmes by introducing or extending cash programmes. The assumption behind the use of care allowances is that care is a resource easily found in society and promptly granted by women without considering the impact of these cash measures on female labor-market participation (Rostgard and Fridberg, 1998).

The work presented in this book lies and moves from these premises. The growing reliance on family and private resources that, with different extents, is identifiable in several EU LTC sectors, represent the starting point and the aim of the book. In this line, the first step is to understand how the family involvement in caring activities towards older adults, both in economic and time terms, varies among institutional settings and which are its institutional determinants. This operation is addressed in this first part of the book, identifying, first the institutional dimensions of LTC systems interested in the reform processes influencing the degree of families' involvement in elderly care. Then, we propose a typology, based on institutional characteristics, which allows reading the LTC features through the lens of family involvement. To complete the reasoning around dependency condition, elderly care and family's involvement, the second and third section deepen the analysis moving the attention from national/macro aspects to micro/individual characteristics.

The second part deals with the effect of the LTC reforms at a micro level, paying attention to the relationship between personal features and formal and informal support devoted to dependent elderly. The last part of the book tries to finalize the entire the line of analysis proposed by considering the depend-ency condition and the private care resources devoted to caring as increasing factors of risk of poverty for the older adults population and their adult children.

1.2. Conceptual framework

This work starts from the premise that dependency represents a significant risk factor which considerably increases the probability to fall into 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 both the dependent elderly and their family caregivers, and the fact that dependency entails increased expenditures for routine activities and especially for the health-related costs. In this regard, research findings (OECD 2011) show that, in several countries, the cost associated to the care and assistance to the elderly with a high level of dependency exceeds the available income of (dependent) individuals including those comprised in 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 members who assume caregiving 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). Based on these considerations, we intend to understand how these dimensions, care cost, and informal care, are affected by the LTC characteristics and, in turn, how they affect the dependent elderly's family income and the risk of poverty.