

# **Can we afford (not) to care: prospects and policy**

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## **Abstract**

This paper examines three distinguishing features of caring, that it involves the development of a relationship, that caring responsibilities and needs are unequally distributed, and that social norms influence the allocation of care and caring responsibilities, to draw out their implications for analysing caring and its movement between unpaid and paid economies. Rising opportunity costs are found to produce similar pressures experienced in different ways across different sectors of the economy. This analysis is then used to examine the likely evolution of caring and how policies have attempted and might attempt to change this to avoid an uncaring future.

## 1. Introduction

Care is increasingly recognised as a significant economic issue. At a macro level, care is both an important contributor to the economy and a practical limit to its growth. Although GDP records only the output of paid carers, some countries, including the UK, now have satellite accounts which measure the output of unpaid caring, enabling economic aggregates to be calculated that take account of unpaid as well as paid labour (Australian Bureau of Statistics, 2000; Statistics Canada, 1995; National Statistics, 2002). Because they do not account for unpaid labour, GDP growth rates can over- or under-estimate growth for the economy as a whole, by not acknowledging the extent to which transfers of caring or other labour between the unpaid and paid economies inflate or deflate GDP, without changing the net output of the total economy (Folbre and Wagman, 1993; Wagman and Folbre, 1996; Cloud and Garrett, 1996).<sup>1</sup>

While economists have yet to pay much attention to such satellite accounts, many now acknowledge the same phenomenon in a different guise, by recognising unpaid caring responsibilities as a significant obstacle to the expansion of employment (Solow, 1990). In most developed economies, women with caring responsibilities form the single largest group of potential workers remaining incompletely integrated into the paid economy, though their labour force participation rates have been rising rapidly. At a micro-level the decisions that people make about caring and employment are intertwined, so that no theory of the labour market, nor any labour market policy, can realistically ignore caring. Further, there is increasing recognition that such decisions not only have short-term impacts on the labour market and the economy as conventionally understood; they may have even more important long-term implications for society as a whole, because the quality of care affects the type of

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<sup>1</sup>This disregard of unpaid labour lies behind the standard textbook conundrum, attributed to Pigou, that GDP falls when a man marries his housekeeper (Pigou, 1932).

workforce an economy can look forward to in the future, the supportive relationships that can be sustained between generations and the social values that can be maintained.

This means that knowing about the trends and likely future development of caring is important for understanding the economy as a whole. Further, since caring can move in and out of the paid economy, any analysis of the economy as conventionally understood must take account of the forces that affect that movement and the development and distribution of caring across unpaid and paid economies, and within the different sectors of the latter. While care is unique among economic activities in so much of it being performed by unpaid labour in a domestic setting, its evolution is also characterised by rapid changes in its distribution between paid and unpaid economies and across different institutional settings. Analysis of such movements will be a recurrent theme in what follows.

The main thesis of this paper is that while caring *is* an economic activity, it has specific features that distinguish it from the economic activities involved in the provision of many other goods and service. An economic analysis that includes caring must therefore take account of the ways in which the production, allocation and distribution of care do not conform to the assumptions that economists usually make. This paper will examine the theoretical implications of three distinguishing features of caring that are not easily encompassed in traditional economic thinking:

- i) Care is the development of a relationship, not the production of a product that is separable from the person delivering it;
- ii) Care needs, responsibilities for fulfilling them and the resources to do so are unequally distributed and tend not to go together
- iii) Social and personal norms affect perceptions of who is seen to need care, who has responsibility for fulfilling their needs and how that care should be delivered.

Individually, these features are shared to a greater or lesser extent with some other economic activities. For example, the demand for many commodities is influenced by social and

personal norms. Aspects of the analysis of this paper may therefore not be unique to caring. Nor do these features constitute an exhaustive list of the ways in which caring is to be distinguished as an economic activity. Indeed different types of care, such as child care, care for the elderly and for people with physical and mental disabilities, have specific features of their own. Nevertheless, the argument of this largely theoretical paper is that these three features encompass some salient characteristics common to all types of caring, from which broad trends in the evolution of caring practices and norms can be derived, and policy responses considered.

The next three sections of this paper will take each of these specific features in turn and explore its implications for the evolution of caring, before putting them together to examine their joint implications for the future of caring. The following section will use this analysis to consider how policy has attempted and might attempt to change this future, before the conclusion examines the conditions under which an uncaring future can be avoided.

## **2. Care as the development of a relationship**

Care is a personal service that requires the presence of a carer. To be worthy of the term “care” it is also the development of a relationship between the carer and the person being cared for. This limits how many people can be cared for at the same time. While this limit may be different for different caring relationships, after a certain point spreading care over more people becomes synonymous with reducing quality.

Economic activities use labour in two different ways (Baumol, 1967). Some use labour just as an input; in these productivity, output per hour, can be raised by capital investment and/or technological improvements. In the industries in which such activities predominate, under sufficiently favourable economic conditions continually rising productivity can be expected. But there are other activities in which labour is not only an input; it is the effective output too. In these activities, there is little scope for pure productivity increases, in the sense of simply

reducing the amount of time needed to deliver the same output, though it may be that investment, technological improvements and better organisation can improve the quality of that output. Pure productivity increases, if they occur, are likely to be indirect, small and one-off.

Baumol used the playing of a string quartet as an example of the latter type of activity. Neither cutting the number of players nor playing faster could raise productivity in that activity without substantially changing its nature. Capital investment, technological improvements and better organisation might improve the quality of the music produced but they could not reduce the number of people needed and the time they took to play it. Baumol used this argument to explain why productivity inherently rises much more slowly in the arts than the rest of the economy (Baumol and Bowen, 1965).

Caring, because it is the development of a relationship, is manifestly an activity of this second type in which the output is the care itself (Baumol and Oates, 1972; Donath, 1996). This means that it is hard to raise the productivity of caring. Indeed, what in other industries would be seen as measures of high productivity are specifically taken as indices of low quality when it comes to care.

Hence, for the economy as a whole, to meet a constant level and distribution of care needs, maintaining standards of care requires a constant proportion of the total amount of labour time (across both paid and unpaid economies) to be devoted to care. And if care standards are to rise or needs increase, an increasing proportion of that total time will be required. This is not the case for those goods and services where labour is just an input and therefore productivity can rise. For these goods and services, constant needs can be met by a falling amount of labour time, and standards can be maintained or even improved despite a falling share of total labour time.

The same forces of innovation and competition that tend to increase productivity in a capitalist economy will therefore result in the opportunity cost of care rising, as the time taken to produce any specific amount of care stays the same, but that required to produce a typical

bundle of other goods and services falls. This rising opportunity cost is not caused by inefficiency (or rising standards) in the provision of care, nor by increasing numbers of people needing care but is an inherent effect of the relational nature of care. It applies at the macro-level of society as a whole, to individuals deciding how best to use their time and across both the paid and unpaid economies.

## **2.1 The paid economy**

Within the paid economy, if wages in caring keep up with those in other sectors, the costs of providing paid care will rise relative to those goods where productivity is increasing. Rising relative costs will apply to the provision of care across all sectors of the paid economy.

However, the likely responses to those rising costs will differ across the different sectors of the paid economy in which care is provided: private (for-profit), self-employed, voluntary (not-for-profit) and public sectors.

In private sector care provision, unless the price of care rises in proportion to its costs, rising wage costs will squeeze the profits of employers. However, employers in caring are limited in how far they can pass on wage rises in higher prices to customers who are themselves income constrained by their own earning power and will only stay in employment and purchase care if the gain from doing so makes employment “worthwhile”(see Section 4). Therefore to stay profitable employers need to resist wage rises and/or reduce staffing levels and standards.

Although some care workers may be willing to accept lower wages for a more fulfilling type of work, the retention of care workers may be difficult if their wages lag too far behind those available to the same workers in other occupations. To cope with rising costs and labour shortages there will be a tendency for less well-trained workers to be employed. This puts

downward pressure on standards of care and training, except perhaps for those trying to attract higher-paying customers—inevitably a limited market.<sup>2</sup>

The self-employed, such as childminders, if they cannot raise the prices they charge sufficiently, may be more willing than employees to accept lower returns than they would get in other occupations as the price for the non-financial rewards and convenience of staying in the caring industry (including being able to combine meeting familial caring responsibilities with paid employment). However, a continually increasing gap between the standard of living of carers and their families and that of other workers is unlikely to be sustainable in the long term.

In the not-for-profit sector, workers may identify more with their employers' aims and therefore be somewhat more willing to solve the problem by self-exploitation than in the private-for-profit sector, a tendency that may itself be exploited by government contracts for "best value" providers. In practice, funding from whatever source tends to lag behind costs, creating problems of insolvency and making it impossible for wages to keep up with those elsewhere in the economy. Even moderated wage rises will create a continual and permanent need for greater funding, which is likely to be seen as a sign of bad management, rather than an inherent problem of the caring industry. Without permanent and growing funding, instability in the sector is inevitable, with high rates of turnover among providers.

In the public sector, as in the subsidised not-for-profit sector, low productivity growth and consequent cost increases may be seen as a sign of inefficiency, rather than as the consequences of an inherent characteristic of care. This is likely to lead to political pressure for privatisation and/or user fees to apply the discipline of the market to control "inefficiency". Without a specific political commitment to raise expenditure and quality of

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<sup>2</sup>Similarly, declining paid domestic care reflects the increasing difficulties of private employers in paying wages that can keep up with those that could be earned in sectors where productivity is increasing.

provision, standards of care and training are likely to fall, or where they are maintained may be taken as yet further evidence of inefficiency.<sup>3</sup>

## **2.2 The unpaid economy**

A large proportion of care is provided unpaid by family members, making the domestic sector a highly significant part of all economies, both in output terms, and in the amount of time that it absorbs (see e.g. Australian Bureau of Statistics, 2000; Statistics Canada, 1995; National Statistics, 2002). Within the unpaid economy, differential productivity growth affects the balance of unpaid work time between different activities. For some domestic tasks, such as cleaning and cooking, productivity can rise through the introduction of domestic machinery and/or the purchase of already processed raw materials. Time use studies have repeatedly shown that a larger proportion of domestic time, indeed in some cases a larger total amount of time, is devoted to caring activities now than was the case when such studies were first carried out in the 1920s (Vanek 1974, 1978; Gershuny 2000). This may in part be because rising productivity in other domestic tasks has freed up time, some of which may have been used to expand the amount and quality of domestic caring.

## **2.3 Movements between the unpaid and paid economies**

Those caring unpaid for others at home experience the productivity growth gap between caring and other economic activities as a growing opportunity cost of being out of the labour market, as productivity rises increase the value in real terms of the wages that an unpaid carer could otherwise earn. Those with caring responsibilities, increasingly feeling that they cannot afford to stay out of the workforce, will seek paid employment. Evidence for this can be found in nearly all developed economies, where successively the labour market participation rates of married women, then women with older children and finally those with pre-school children have risen.

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<sup>3</sup> 40 years ago Baumol noted similar tendencies to blame rising municipal spending on inefficient urban administrations rather than the growing costs of public services (Baumol, 1967).

However, that tendency for the purchasing power of the wage that could be earned by entering the labour market to increase does not apply when it comes to purchasing care, since productivity in its provision does not rise along with that of other commodities. Hence the price of care will rise broadly in line with the wages that can be earned by entering the labour market, modified only by the extent that employers manage to keep wages in caring from rising as fast as other wages. Those unpaid carers who would have to pay for full replacement care if they entered the labour market will find the costs of doing so rising in line with the growing opportunity cost of staying at home. The gap between productivity growth in the provision of care and that of other goods and services will not therefore in itself affect the balance of that decision.

#### **2.4 A one-off productivity gain**

Despite this, throughout the developed world, there has been a broad movement of care from unpaid to all sectors of the paid economy as women with caring responsibilities have entered paid employment, many “outsourcing” some aspects of care from outside the family. A one-off productivity differential between paid caring and some unpaid caring is one possible cause of this movement.

Historically, many other economic activities have followed this path, moving from domestic production to reap the economies of scale of mass commodity production. These productivity gains are experienced by households as a rising relative opportunity cost of domestic production, measured either historically by servants’ wages or latterly by the potential wage foregone by housewives, due to a fall in the price of commodity substitutes.

However, moving to commodity production does not in itself raise productivity in caring, for reasons explored above. Nevertheless, although it is hard to *raise* the productivity of caring without lowering standards, its productivity can *fall*. While there may be a limit to how many people one carer can care for at the same time without reducing the quality of that care, that limit may not always be reached in domestic settings, particularly in small nuclear families. Further, caring can be combined with other tasks, but only when these are available. As other

forms of domestic production become commodified, opportunities for multi-tasking are reduced, lowering overall productivity. Indeed one reason that time-use studies show increasing amounts of domestic time being devoted to caring may be that other activities that would previously have been combined with caring are no longer carried out in the home.<sup>4</sup>

This fall in the domestic productivity of caring has given rise to potential one-off gains in productivity from caring moving from the home into group settings where greater economics of scale are possible, whether by commodification or through state or voluntary provision.<sup>5</sup>

This productivity gain has fuelled the movement of many women with caring responsibilities into employment (including some who reap the productivity gains through more efficient use of unpaid care, for example, by sharing arrangements with neighbours or grandparents simultaneously looking after the offspring of more than one of their children). However, whether those gains can be realised through the market will depend on individual circumstances and wider social factors. The following two sections will examine the influence on the realisation of such productivity gains of the remaining two specific features of caring: the uneven distribution of care needs and responsibilities, and the influence of changing social norms.

### **3. The uneven distribution of care needs and responsibilities**

The need for care and the ability to provide it are unequally distributed. At one level, this is definitionally true. We do not tend to talk about attending to one's own personal bodily and psychic needs as "care", though many economic issues about caring apply to such "self-care"

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<sup>4</sup>Studies that allow simultaneous activities to be recorded overcome this problem to some extent. However, even in such studies caring may be underreported because passive caring, which requires responsibility rather than physical activity, may not be recorded (Himmelweit, 1998; Bittman et al., 2004; Budig and Folbre, 2004; Ironmonger, 2004).

<sup>5</sup>Falling productivity can also affect paid domestic caring. Nanny sharing can be seen as an attempt to overcome this.

too. (Tronto, 1993). Besides self-care, there is also a great deal of caring done for others. Some of this could be performed on a straightforwardly reciprocal basis, but in practice an equal exchange is not the norm and many people, mostly but not exclusively women, do more caring for others than others do for them. It is useful to distinguish (Waerness, 1987) between such an unequal exchange between equally able-bodied people, as an effect of gendered power relationships in society,<sup>6</sup> and an unequal exchange which arises when one party needs more care than they are *able* to give. This latter is usually the case for young children, some old people and people with disabilities. It is caring for these types of people that makes care an object of social policy and is the main concern of this paper.

However there is inequality not only in the ability to provide care directly, but also in the financial resources needed to pay for care by other means. Those in need of care are often poor: children typically have neither an income of their own nor any capital from which to draw one; older people may not have enough savings to meet their care needs, while those with disabilities may be handicapped in earning an income or acquiring capital by the same disability that results in them needing care.

Where resources do not match needs for care, third parties have to be involved in the organisation and provision or financing of care if those needs are to be met. The allocation of such caring responsibilities, whether for providing, organising or financing care, is socially determined, with considerable international variation in how they are shared between family members, the extent of gender differentiation and how much financial or other help is given by the state. Nowhere, however, does the allocation of such caring responsibilities necessarily entail the ability or income to fulfil them and, once caring responsibilities are taken on, they do not diminish through lack of resources to meet them. Though people may make some assessment as to whether they can afford parenthood before having children, other caring responsibilities are rarely chosen and harder to plan for. In practice, caring responsibilities

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<sup>6</sup> Such unequal gendered caring relationships between able-bodied adults were historically enshrined in the marriage contract in many countries, as were unequal obligations concerning financial support.

often make people poorer, by restricting their time to make use of economic opportunities, in particular to enter the labour market.

Inequalities in both caring responsibilities and labour market opportunities affect the size of any productivity gap between unpaid and paid care and whether any potential productivity gain can be realised. Although, paid care may be more productive than average unpaid care, that differential will be smaller or even non-existent for care provided by unpaid carers with unusually large caring responsibilities. Where there is no productivity differential, employment will not be perceived as worthwhile unless wages are higher than the average paid to carers. This is if the full costs of replacement care, which rise with the extent of caring responsibilities, have to be paid for. Where there is no productivity gain to be realised, employment will be affordable only by those who can earn higher than the average wages paid to carers or can call on help with the cost of providing replacement care, for example through relatives providing some unpaid care.

Labour market inequalities affect whether any productivity differential between paid and unpaid care can be realised. Where an unpaid carer's responsibilities are such that a productivity differential exists, taking employment at wages at least as high as those of paid carers and paying for replacement care will bring a net financial gain. However, for unpaid carers with lower earning power there may be no net gain from employment and, without financial or other help, the increase in productivity that a movement of care from unpaid to paid economies would achieve will remain unrealised.

Since many with caring responsibilities are women, and women's wages are low, many will find the net financial gain to employment insufficient to overcome the influence of social and personal norms favouring maternal care and/or to compensate for the difficulties of finding a job and organising care. In this case any productivity gains that arise from moving care from unpaid to paid sectors will remain unrealised. In some cases this may be because there are no such productivity gains to be had, but in other cases it may be because potential earnings are simply too low to make employment worthwhile. However, what is meant by "worthwhile" in

this context needs further exploration. For this we need to examine the influence of changing social and personal norms on caring practices, the third specific feature of caring .

#### **4. The influence of changing personal and social norms**

How much net financial gain is necessary to make employment worthwhile depends, at least in part, on what is seen as lost in taking employment. Views on this are influenced by people's ideas of their own responsibilities and views on appropriate ways of carrying them out. Social and personal norms determine who is seen to need care and who has responsibility for fulfilling their needs, as well as how that care should be delivered. Such norms vary across place and time, tend to be highly gendered, and are influenced by current practices and the economic and social conditions that determine them (Folbre and Weisskopf, 1998; Finch and Mason, 1993).

Within any society, social norms about caring and actual caring practices develop together and tend to reinforce each other . At an individual level, social norms influence an individual's practice, which in turn informs her attitudes, reinforcing or occasionally challenging existing social norms. At a local level, people tend to mix with others who behave similarly and hold similar attitudes to themselves, thus reinforcing local norms. And at a national/cultural level, dominant caring practices influence public attitudes. Together these mutual reinforcement mechanisms at different levels lead to positive feedback between caring norms and practices (Himmelweit and Sigala, 2004).

Positive feedback can stabilise existing patterns of behaviour. However, once change starts, positive feedback between social norms and practices should accelerate change. Across societies such positive feedback gives rise to path dependence, thus different norms and

practices in caring vary across history and across cultures.<sup>7</sup> Cross-national differences in caring practices reflect, at least in part, the different economic opportunities that arise from different labour market conditions and policy regimes (including working hours, job flexibility, the gender pay gap, childcare provision, maternity and parental leave provisions,). Social norms about caring then reflect the way in which both attitudes and choices are structured by such economic conditions and state policies (Fagan, 2000: 244). Nevertheless, there remain individual variation in attitudes and practices within the same society; caring norms are contested within societies.

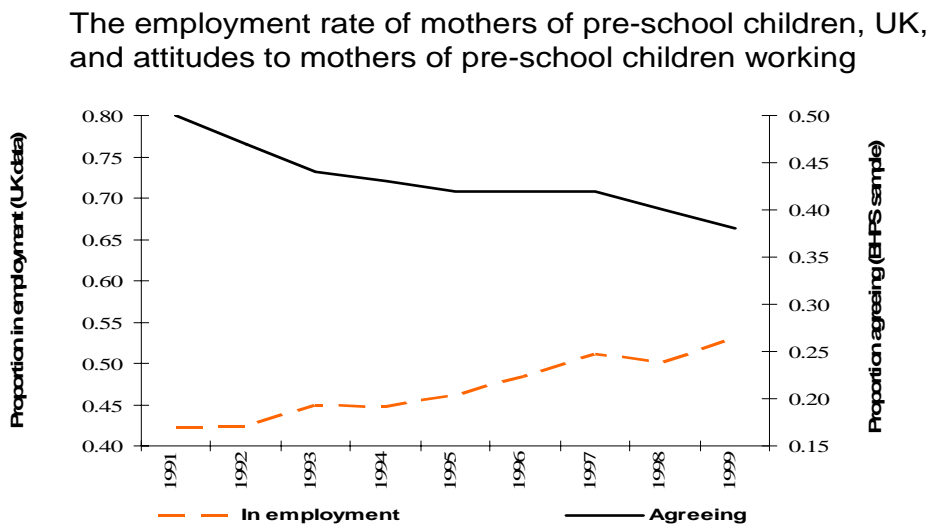
Thus financial opportunity costs are not the only factor that influences whether an unpaid carer decides to take employment and pay for replacement care. This is not unique to caring; social norms have slowed down the commodification of other aspects of unpaid domestic labour, such as food preparation, particularly where qualities of the product were perceived to be transformed in the shift from domestic to commodity production. However, where the mass-produced product is perceived to be superior to the domestically produced one, social norms and productivity gains point in the same direction. In either case, norms are likely to adjust as behaviour changes and so through positive feedback will eventually reinforce behavioural change.

Until recently, these trends have affected caring less than other domestic activities because there were few gains in productivity to be had from its commodification. Social norms and, in some cases, state regulations resisted the lowering of quality of provision on which larger productivity gains would depend. However, with decreasing family sizes, declining opportunities for multi-tasking and increasing divergence in women's wages, the opportunity cost of using their own time to provide care has increased for better paid women and more have chosen to "outsource" care (Joshi, Davies and Land, 1996; Davies, Joshi and Peronaci,

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<sup>7</sup>There is considerable variation across Europe, for example, in the level of care that is considered adequate for particular people, how that care is delivered and how much time and importance is put on caring and rewarding carers (Fagan 2000, 2001).

2000). These early movers' higher earning power, by indicating that their behaviour is chosen rather than imposed on them by circumstance, may have had disproportionate influence on social norms. Thus for example, in the UK, as Figure 1 shows, the proportion of the general public agreeing that “pre-school children suffer if their mothers work” fell as the employment rate of mothers of pre-school children rose through the 1990s.



**Figure1: The employment rate of mothers of pre-school children (left-hand axis) and proportion of the whole population agreeing that “pre-school children suffer if their mother works” (right-hand axis).**

**Source: British Household Panel Study**

Hence current caring norms can be taken neither as fixed nor as completely malleable. At any point in time, they may slow down the majority response to shifts in productivity and affordability. However, because caring norms are not monolithic, there will always be some who change their practices in response to changing conditions. Then as social norms adjust to changes by a few, more will respond, further changing social norms and thus practices etc. In the long-run therefore norms are more flexible than they are in the short-run. Taking account of positive feedback thus puts more weight on the considerations of productivity and affordability outlined earlier, than an examination of current decision-making, taking social

norms as fixed, would suggest. In other words, social norms do not in the long-run stand in the way of progress, if by progress is meant the raising of productivity.

However, this also means that in the long-run social norms do not provide the protection for caring *against* the pressures of productivity and affordability that they do in the short-run. The more supportive of employment social norms are, the more frustrated carers who do not earn enough to pay the current costs of replacement care will become. In looking for cheaper ways to purchase care they may be tempted to sacrifice quality for affordability. Left to the market, there will be care providers trying to attract those who can pay less by lowering care and training standards and/or using cheaper labour. Standards in both care provision and in the employment practices of care providers may be allowed to fall, and even views on who needs care may change, since all these are subject to norms that are likely to come under pressure from the increasing costs of care.

## **5. The evolution of caring**

We can now bring together the previous discussion to consider in this section the likely future evolution of caring if there were no change in the level of state intervention, before examining in the next section how policy has attempted and might attempt to shape this future.

First, because productivity in paid caring is unlikely to rise (except if norms change so that lower standards are considered acceptable, giving rise to an apparent increase in productivity masking a real fall in quality) increases in productivity elsewhere in the paid economy will raise the cost of paid care, so purchased care will become relatively more expensive. The rise in the price of care may however be moderated to the extent that care workers' wages do not rise in line with those of other occupations.

However, where productivity is lower in unpaid than in paid care, productivity can increase through a movement of care from the unpaid to the paid economy. Such a secular movement has been taking place, and it is likely that there are still unrealised gains in productivity to be

made from further moves in this direction. While this movement continues, the proportion of the paid workforce working in caring must rise; correspondingly, so must the proportion of GDP devoted to caring. (Again there are caveats: the rise in the proportion of the paid workforce in caring will be moderated to the extent that standards are allowed to fall; this will also affect the proportion of GDP devoted to caring, which will also rise less fast, or even fall, if care workers' wages do not rise in line with those of other occupations.)

This movement into paid care, however, is and will continue to be uneven, with the potentially better paid and those with lower care responsibilities being more able to outsource care in this way. The lower paid will not consider it worthwhile to take employment if they have to pay the full costs of replacement care leaving potential productivity gains unrealised. For those with greater care responsibilities there will be no productivity gain to be had, because the productivity of their unpaid care will be comparable or even higher than that of paid care. They too will not find it financially worthwhile to take employment.

This will lead to worsening inequalities between those who are in employment and those who are not, for only those in employment will share in the general rise in prosperity that rising productivity in the production of most goods and services brings through increasing the purchasing power of wages. But this increased purchasing power will not be available to those who remain providing unpaid care in the home, whose caring responsibilities are too great and/or potential wages too low to make employment worthwhile. Although some may be supported by other wage-earners in their families, others will not, and in either case the perceived value of the contribution of unpaid care to household well-being is likely to fall behind that of a wage. Unpaid carers are likely to become increasingly marginalized, both within their families and in society more generally, and to lose whatever political voice they currently retain.

However, what gain from employment makes the move "worthwhile" is a normative issue, and norms are not fixed. These will be affected by the movement of others into employment and their choice to use paid rather than unpaid care, especially since the behaviour of those

initial movers is likely to be disproportionately influential. Employment will gain a greater normative value in itself, even among those who could not hope to earn as high wages as those that attracted their better-paid sisters into employment. Such a change in norms should reduce the average wage at which unpaid carers find it worthwhile taking employment; previously a greater financial incentive to employment would have been needed to overcome more hostile norms. Lower average wages received by the purchasers of care will put pressure on its price and in turn on standards of care provision and the wages and working conditions of paid carers. Norms may indeed shift so that lower care standards become acceptable and people considered to need less care.

People may also become less willing to take on the responsibilities of care. Although it may also be true for elder care and other caring responsibilities that are less chosen, it is with parenthood where evidence for this is most clear. Birth-rates have dropped dramatically in many developed economies, fastest in Japan and Southern and Eastern European, countries that provide little state financial support with the costs of motherhood (United Nations, 2005). This then raises questions for the future viability of elder care, responsibility for which will have to be shared around fewer, perhaps by then less willing, working age adults.

Inequalities between wage earners have been increasing in recent years, to a greater or lesser extent, in most developed economies, and there is little reason to expect this tendency to change. What effect this will have on the future of caring depends on where paid carers are located within the growing pay hierarchy. If carers are at the very bottom, then increasing inequality will make paid care affordable for more people, and so more unpaid carers will be able to take employment and purchase replacement care. This is provided they do not go into the caring industry themselves, or any equally badly paid job, in which case whether paid care is affordable will depend crucially on the extent of the caring responsibilities for which paid replacement care would be needed.

However, caring may not remain at the bottom of the pay hierarchy. Although there are continual pressures on employers to keep the wages of paid carers as low as possible, in an

expanding sector this will be hard to achieve. Already the care industry is having difficulty recruiting and retaining staff because of its low wages and poor career structure. If the demand for care workers continues to rise their pay and career structure may have to improve, unless they can be recruited from a group of workers with particularly circumscribed alternatives for paid work, such as immigrants prevented from accessing other labour market opportunities.<sup>8</sup> If care workers do not remain at the bottom of the pay hierarchy, then rising numbers of people with caring responsibilities will find that higher costs of care make the reward to employment too low to make it worthwhile. This in turn may put increased pressure on standards; if wages cannot be held down, then the only route to counteract the rising price of paid care will be to reduce its quality.

In the private-for-profit sector, this is likely to mean a tendency to reduce training standards and the quality of provision, and a continual search for cheaper sources of labour. The same pressures apply to other sectors, but may be experienced differently. For the self-employed, the experience will be of an increasing difficulty in making a living from the charges that clients can afford to pay. One solution, that of increasing the numbers cared for, may be ruled out by state regulation or self-restraint, due to an unwillingness to reduce standards. For the voluntary sector, financial viability will be challenged in the same way unless public or charitable funding increases faster than the numbers cared for to allow for increased costs. For the public sector, costs per capita will rise, adding to its apparent inefficiency, unless it is allowed to invoke the private sector solutions of recruiting from a disadvantaged workforce and/or letting standards fall. Again only spending that increases faster than the number of care places provided can counteract these inherent tendencies. Changes in attitudes could support such increases in public spending, since paid care will increasingly be seen as the norm which

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<sup>8</sup> EU enlargement is expected to bring in large numbers of paid carers willing to work for low wages from the new accession countries. A majority of previous EU member states have introduced transitional arrangements or quotas, to last from two to seven years, that will apply to such workers, restricting their ability to compete on equal terms with local workers (OECD, 2004).

should be available to all, but could also work in the opposite direction, at least where there is private sector competition, for if there are pressures to lower standards in the private sector, they are likely to be tolerated in the public sector too.

In sum, without further state intervention the following changes can be expected: paid care is likely to become more expensive and require an increasing proportion of GDP to be devoted to it; inequalities between those who can afford care and those who cannot are likely to be exacerbated; people may be less willing to take on unpaid caring responsibilities; within paid care, there may be problems in recruiting a workforce, and there will be pressure on standards both of employment and of provision, with declining standards likely to be increasingly tolerated. Not surprisingly then, this has been an area in which there has been substantial policy development in recent years throughout the developed world. The next section will examine the driving force behind such policy changes and their likely effectiveness.

## **6. Policy on caring**

Policy both reflects and constructs the social norms and practices of a society. It is in part the product of existing attitudes and practices. Although policy makers may profess themselves to be loath to interfere directly in the “private life” of the family, in practice many policies affect the viability of different caring practices. Whether these effects are seen as beneficial or deleterious will depend on prior attitudes to caring and these in turn will be influenced by existing practices. Overall, we can expect policy differences across cultures to reflect different histories, practices and attitudes. Conversely, policy changes can be expected to have both direct and indirect effects on caring practices and attitudes. Positive feedback in the interaction between caring norms and practices results in a policy multiplier in which the

eventual long-term effects of any policy change may be many times greater than its immediate effects (Himmelweit and Sigala, 2004).<sup>9</sup>

Thus, in addition to the two poles of norms and practices, policy becomes a third pole of mutual influence. As before, while positive feedback should provide some stability in the inter-relationship between policies, social norms and caring practices, when economic or other external conditions change caring practices, positive feedback should mean social norms and policy adjust. And again such positive feedback will be the source of path dependence and divergence between societies in their policies on care, as well as in public attitudes and in actual caring practices. Hence the wide variety of social policies, attitudes and practices across Europe and elsewhere with respect to caring.

However, there are common themes across different policy regimes. As more people with caring responsibilities have moved into the labour market, pro-employment norms have strengthened and norms favouring familial care over paid care weakened. In turn these changing norms have influenced policy. For example, Orloff (2006) characterises US policy since the 1990s welfare reform as a “farewell to maternalism”, a switch from seeing lone mothers as potential welfare recipients because of their primary responsibility to be a carer to seeing them as having first and foremost an obligation to earn money for their families.

Although state support for unpaid caring had never been a reality for most mothers in the US, especially not African-American mothers, after welfare reform it was clear that motherhood outside the labour market was no longer to be tolerated for those on welfare.

Similar, if less punitive, trends in policy are evident in many other countries whose welfare systems were until recently firmly based on a male breadwinner/female caregiver model. These welfare systems are now more inclined to subsidise the wages and childcare costs of working mothers than to support those mothers to look after their children themselves outside

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<sup>9</sup> Himmelweit and Sigala, 2004, suggest that the size of the policy multiplier may be greater for some types of policies than others. Enabling policies that allow people to take on new opportunities may have a larger policy multiplier than coercive policies that restrict their opportunities.

the labour market (Himmelweit et al, 2004). Underlying this shift is the widening productivity gap that has opened up between unpaid and paid care. Policy makers may not consciously see their policies as about trying to raise productivity in caring. Rather, they might perceive moving unpaid carers from “welfare to work” as a way to reduce welfare spending.

Nevertheless that productivity can increase by so doing is relevant. It is the productivity gap between unpaid and paid care that has led to the increasing employment rate of those who have caring responsibilities, making the demand that those on welfare also seek employment seem only fair. Where help with caring responsibilities is provided, welfare to work policies are broadly targeted on those cases where there are productivity gains to be had. These are the ones where the subsidies required to commodify care are outweighed by increased taxes and reduced welfare spending, resulting in net gains to the public purse.

In some cases, efforts to reduce costs mean that such policies are finely tuned to reach only those whose caring responsibilities allow a productivity gain from moving into employment that cannot be realised without state intervention. For example, the UK government’s Working Tax Credit, including its childcare element, provides subsidies to both wages and childcare targeted on exactly those parents whose balance of caring responsibilities and earning capacity would otherwise leave them unable to realise those productivity gains. These are low earners without another non-employed parent in their household family to provide care.<sup>10</sup> But subsidies for childcare do not increase for third or subsequent children; for families with large numbers of children there is little or no productivity gain to be had by commodifying their care. Further, subsidies cannot be used to pay for childcare by relatives. Not only is this as an unnecessary dead-weight cost if relatives are assumed otherwise to provide such care for free, but productivity gains are unlikely to be realised in shifting care simply from one home carer to another.

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<sup>10</sup> Though means-testing on family income rather than the individual wage means that it is not quite as well-targeted as it might be for maximum employment effect. Parents with high earning partners are ineligible for any financial help, irrespective of their own earning power.

In other types of regimes, different childcare policies enabled those productivity gains to be realised by moving care from unpaid to the paid sectors. Public sector provision of childcare, with low fees for those on entry level wages, has been successful in many parts of Europe, notably Scandinavia and France, in enabling a high proportion of the care of pre-school children to be carried out with the productivity of group settings: yet the quality of care is generally thought to be good, because workers are highly trained. In Scandinavia, however, because of long periods of paid parental leave, few children are in group care before the end of their first year; perhaps there are no productivity gains to be had from group care below that age. Another solution, adopted in a piecemeal way in many European countries, is to subsidise directly those private or voluntary sector providers who provide care for those on entry-level wages.<sup>11</sup>

The cost of any of these policies is likely to be large. If the level and distribution of caring responsibilities stays the same, overall wage inequality does not change and caring stays where it is on the pay hierarchy, then a constant proportion of care will need to be subsidised one way or another to sustain a given level of paid employment among those with caring responsibilities. However, to maintain standards of provision, productivity within paid care cannot increase; so costs must rise in line with earnings. In other words, even to maintain current standards of care, spending rising roughly in line with GDP would be needed. But if this were to happen, care would still be the poor relation of the economy, as productivity and the quality of goods rose elsewhere. If standards of care provision are to rise in line with those in other parts of the economy, costs will have to rise yet further and an *increasing* proportion

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<sup>11</sup> For example, direct subsidy to childcare providers look likely to be an element of the future UK policy, now that the government has recognised that demand side subsidies to parents alone have failed to provide sustainable childcare in many parts of the country (HM Treasury 2004A). Previous policy which was to provide only start-up funds to providers simply led to churning, with providers failing once their funding ceased and new entrants on similar short-term funding being brought in to fill consequent gaps. This is because any need for funding is not short-term, but permanent and growing.

of GDP be spent on care. The alternative policy of subsidising wages to bridge the gap between low earnings and high care costs wages, if it achieves the same effect, should cost just as much.

Some factors could increase or reduce these costs. If unpaid caring responsibilities diminish, average productivity gains from commodification will increase and more people will be able to pay for replacement care themselves; this would happen, for example, if birth rates continue to fall. On the other hand, with an ageing population unpaid caring responsibilities may increase and so spending on care provision would have to increase faster to enable working age adults to stay in employment. In both cases, norms are relevant too, influencing both the birth rate and the extent to which family members take on responsibilities for elder care.

Increasing inequality in unpaid caring responsibilities means a widening spread of productivities across unpaid carers, with those with lesser caring responsibilities more able to afford replacement care, but a growing proportion with greater caring responsibilities unable to afford replacement care because commodification would not increase their productivity. Therefore the greater the inequality in caring responsibilities, the greater the total productivity gain from care moving from unpaid to paid economies realisable without increased intervention, but also the greater the total subsidy that would be needed to enable remaining unpaid carers to enter employment. (And the more a government can save by differentiating carefully which unpaid carers it is willing to help move into employment, through limiting the total level of subsidy available, for example.)

Wage inequality also has an effect on those costs. The greater the extent of wage inequality, around an average wage higher than that paid to carers, the more people will need subsidy (to either wages or care costs) to be able to afford to take employment. The effect of increasing wage inequality would be the reverse if carers were paid above average wages, but in no economy is that currently the case, nor is it likely to be in the near future.

So, inequalities in both caring responsibilities and wages increase the costs of policies based on subsidies. If the distribution of caring responsibilities were to become more equal and wage inequalities reduce, overall costs should fall. However, there is no particular reason to expect either of these to happen; indeed evidence over the past twenty years on wage inequality has pointed in the opposite direction, with greatly increasing wage inequality in most developed economies leading to increased need for subsidised care.

Subsidies are not the only form of intervention that can help realise that productivity gain. “High-” or “low-road” labour market policies can also be directed at helping unpaid carers move into employment. The high road is investing in the training of such “returners” to the labour market to enable them to earn enough to be able to afford paid care of an acceptable standard.<sup>12</sup> For those with lesser caring responsibilities, such as mothers with just school-age children, the potential productivity gains are large, but cannot be realised if their wages remain too low. Such “high-road” labour market policies based on training, while initially not cheap, are an investment that should in the long-run reduce the need for subsidies. However, such training policies if they applied to caring occupations, or even if they did not but undermined the supply of labour into caring occupations, should raise the cost of care. This means that the policy of raising wages above the cost of care will be chasing a moving target.

<sup>13</sup>Although this would be beneficial in raising wages and standards in some of the worst paid occupations, some direct subsidy to care would then still be necessary to bridge the gap between what entrants to the labour market can afford and the costs of paid care.

The “low-road” labour market strategies focus on keeping the costs of paid care down, by failing to regulate standards of provision or deregulating them, though parents own reluctance

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<sup>12</sup> Such schemes do exist in a piece-meal fashion in a number of countries; for example, in the UK fairly low-level training is provided for lone parents, and limited schemes of training and childcare support for other mothers wishing to enter employment are soon to be piloted (HM Treasury, 2004B, pp. 82, para. 4.40).

<sup>13</sup> I am grateful to Wendy Sigle-Rushton for pointing this out.

to use poor quality care makes this unlikely to be a successful strategy at least in the short-term. Another version of the low-road would enable employers to pay care workers less than other workers, through exemption from minimum wage legislation, for example. However, recruitment problems in an expanding sector of employment will make this hard to sustain if employers have to compete for workers with other sectors where wages are rising. That competition may be circumvented if there is sufficient supply of labour into paid care from disadvantaged groups, unable to access better paid work. These may include legal or illegal immigrants ineligible for welfare benefits and willing to work at wages lower than those of other new entrants to the labour market. This has been a traditional approach to paid care, to use discriminatory immigration policy to create new forms of labour market disadvantage and to exempt some employers, for example those employing carers in their own homes, from particular aspects of labour legislation.<sup>14</sup>

That it is even now difficult to recruit and retain care workers suggests that such strategies may not be sufficient and that better conditions for care workers will be needed and have to be paid for. A combination of the more expensive high road labour market policies and a system of subsidies to care and/or wages will be needed if care is successfully to be moved from unpaid to paid settings. However, behind all such policies is a productivity gain to be realised. At least some of this gain, recovered in the form of taxes from increasing numbers in employment and falling numbers on welfare, can be offset against the costs of the policy to achieve it.

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<sup>14</sup> Domestic service has always been less regulated than other types of employment, being seen as more of a private familial arrangement than a labour contract, at least in those jurisdictions where the British Masters and Servants Acts applied (Merritt, 1982)

## **7. Conclusion**

Policy tends to reflect the social norms and practices of a society. But policy can also change those norms and practices. This paper has shown that there are a number of reasons why governments might want to develop a caring strategy rather than just leaving the market to provide incentives to some, but by no means all, unpaid carers to enter employment. First, the market left to itself will worsen existing inequalities. Second, there are good reasons to believe that market forces will tend to undermine standards of care. Third, the market is likely to put particular pressure on the working conditions of care workers. All of these are issues that in a civilised society people care about, not only for themselves and their families, but also because they contribute to the social fabric of society.

In practice, policy has been consistent with following a different imperative, that of realising the productivity gap between unpaid and paid care. In doing so, some of those other aims can also be pursued, but at other times they are in conflict. This is not to say that policy makers have not cared about these other aims, but in pursuit of cost minimisation they have in practice taken the easiest cases first, those for whom the greatest productivity gains can be realised for least expense, and those without substantial caring responsibilities. Only slowly is recognition emerging that there are serious issues about standards of care, and of training and employment conditions among the paid workforce, that will need to be tackled in their own right.

Indeed, there are real concerns about costs, for the costs of any effective strategy on caring are large, permanent and likely to grow. The effects of differential productivity mean that spending on caring will have to grow at the rate of GDP simply to maintain the status quo and faster than GDP if standards are to improve or the proportion needing care increases. This is for spending on caring overall. Public spending on caring will have to grow at the same rate, unless inequalities in the distribution of caring responsibilities and earnings decrease, and still faster if they increase, a more likely scenario. Such a strategy will also need to give specific attention to improving the standards of care and the training and pay of care workers.

Otherwise standards of care will fall and care workers will pay the price for differential productivity gains, if any such workers can be found.

However, although increased spending will be needed, the resources are there to pay for this, since the need for this strategy arises from increasing productivity elsewhere in the economy. Allocating enough to cope with the effects of differential productivity on caring will still leave an ever-increasing amount of GDP to be allocated elsewhere. All that is needed is to abandon targets on the share of GDP that is devoted to public spending and to focus instead on the disposable income that remains. This can continue to grow despite the rising costs of strategies to provide and maintain, or even increase, standards in care.

This is an urgent question of political will and power (Folbre and Weisskopf, 1998). Without intervention people may be less willing and able to fulfil caring norms, which may thereby be eroded. Those who assume caring responsibilities despite such pressures will pay a higher price for doing so and may have less influence on policy than those conforming more to increasingly less caring dominant norms. Not to adopt a generous strategy for caring now will shift power away from those who continue to care, erode caring norms, and make it more difficult to adopt a more caring strategy in the future. Without such a strategy, standards and availability of care will fall with high cost to society as a whole and fall particularly heavily on those who continue to care.

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