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Estimating the value of informal care in European countries

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ABSTRACT

The provision of informal care has been the traditional mechanism to address the care needs of European populations in need. However, its value goes unaccounted for in long-term care spending as it refers to unpaid care and includes unmonetized costs, which if substituted by the market or community care would result in higher costs to both families and social protection systems. This paper examines the missing care economy, namely the value of informal care drawing on a wellbeing methodology where we can identify the effect of care on wellbeing. We draw on longitudinal data from the SHARE survey retrieving estimates of informal care from several European countries. Drawing on the availability of daughters in the household, we estimate the causal effect of caregiving on wellbeing, and we retrieve an estimate of the magnitude of the care economy of European's Gross Domestic Product (GDP). Our estimates suggests that the short-term compensating surplus (CS) 41.4% of short-term GDP and the long-term accounts for 24.8% of long-term GDP, which is about 9.90% of men's wages and 10.45% of women's wages. However, our estimates vary by country and gender, being 74% of average female's wages in France 74.2% and 61% in Switzerland (61.46%), and 36% of male wages in Spain and 28% in Italy.

KEYWORDS informal care; wellbeing methods; the value of time; caregiving; daughters; life satisfaction

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