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**Article**

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DIW Economic Bulletin

**Provided in Cooperation with:**

German Institute for Economic Research (DIW Berlin)

*Suggested Citation:* Geyer, Johannes (2015) : Income and assets of care households in Germany, DIW Economic Bulletin, ISSN 2192-7219, Deutsches Institut für Wirtschaftsforschung (DIW), Berlin, Vol. 5, Iss. 14/15, pp. 203-208

This Version is available at:

<https://hdl.handle.net/10419/109664>

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# Income and Assets of Care Households in Germany

By Johannes Geyer

In 2013, some 2.6 million people received long-term care benefits. The number of benefit recipients has risen by 45 percent since 1998. A good 70 percent of benefit recipients, roughly 1.7 million people, are cared for at home and nearly 30 percent in a nursing facility. There are also a significant number of individuals who are dependent on care but not to such an extent that they are entitled to benefits from their care insurance. Instead, they are almost all cared for at home. Long-term care is usually a major burden on the individuals and households concerned. Alongside health-related restrictions, there are also additional costs due to medical expenses and care. At the same time, related caregivers often earn less, since they are forced to reduce working hours to take on care commitments. The present study shows that care households have similar incomes to households without care recipients. However, transfer payments for care recipients make up a relatively high share of total income. Moreover, care recipients' assets are far lower than those of individuals without care needs. Care recipients living alone have particularly limited financial resources, and they represent more than 40 percent of all care households.

Care recipients and their relatives are faced with some serious challenges. In addition to the health-related restrictions of the care recipients, the caregivers themselves may also develop health problems due to the stress of caregiving tasks, added to which financial burdens also frequently need to be addressed. These can arise either from privately financed care services or from the caregiving household member suffering a fall in income,<sup>1</sup> since caregivers are often restricted in their ability to engage in gainful employment in order to reconcile care and career.<sup>2</sup>

Long-term care insurance is limited to contributions toward the cost of care or benefits in kind, and must be complemented by informal and/or privately financed formal care (see box). As the duration of care increases, the question as to whether current household income is sufficient to cover these costs or whether they have to be financed by private assets becomes increasingly important. Survey data show that care recipients have a strong preference for care in a domestic setting.<sup>3</sup> If this cannot be guaranteed, many care recipients have only one option: to be looked after in a nursing home. The cost of nursing home care is greater than that of home care, for both those affected and for the public long-term care insurance. The share of individuals receiving supplementary social welfare among recipients of nursing home care is correspondingly high. Around 42 percent of those receiving nursing home care also receive social welfare. In contrast, the share of recipients of home care receiving social welfare in 2013 was approximately 7.5 percent.

<sup>1</sup> See also J. Geyer and E. Schulz, "Who cares? Die Bedeutung der informellen Pflege durch Erwerbstätige in Deutschland," *DIW Wochenbericht*, no. 81 (14) (2014): 294–301.

<sup>2</sup> M. B. Lilly, A. Laporte, and P. C. Coyte, "Labor Market Work and Home Care's Unpaid Caregivers: A Systematic Review of Labor Force Participation Rates, Predictors of Labor Market Withdrawal, and Hours of Work," *Milbank Quarterly*, no. 85 (4) (2007): 641–690.

<sup>3</sup> A. Kuhlmei, D. Dräger, M. Winter, and E. Beikirch, "COMPASS – Versichertenbefragung zu Erwartungen und Wünschen an eine qualitativ gute Pflege," *Informationsdienst alterfragen*, no. 37 (4) (2010): 4–11.

Box

**Care Insurance Payments**

Long-term care insurance covers part of the risk of requiring care services. The care recipient concept underlying an entitlement to payments is codified in section 14 of the Book XI of the German Social Security Code (*SGB XI*). According to this definition, the entitlement to long-term care exists when an individual is restricted (probably for at least six months) from carrying out activities of daily living (ADL; basic care) in the areas of personal hygiene, nutrition, mobility, and instrumental activities of daily living (IADL; household assistance). In addition, long-term care benefits depend on the level of care required. According to section 15 of *SGB XI*, there are three levels of care:

- Care Level I: in need of significant care. These individuals need help at least once a day with at least two day-to-day activities, and household assistance several times a week.
- Care Level II: highly dependent on care. These individuals need help at least three times a day with basic care, and household assistance several times a week.
- Care Level III: requiring the highest level of care. These individuals require round the clock help with basic care, including at night, and household assistance several times a week.

Moreover, since 2008, care recipients have also been entitled to support payments from long-term care insurance if they are not eligible for Care Level I but are nevertheless severely restricted in carrying out everyday tasks (section 45b of *SGB XI*).

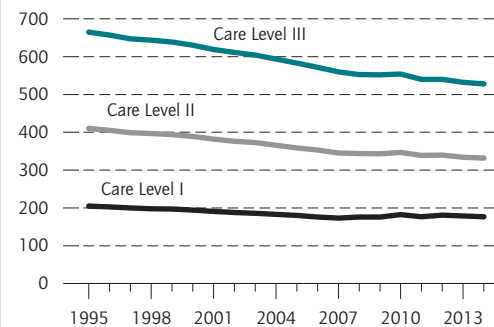
Eligible recipients receiving home care can choose between benefits in kind and care allowance or a combination of both. In addition to providing home care, long-term care insurance also provides payments for partial or full nursing home care. In addition, long-term care insurance supports care households with a variety of other services. Benefits are also provided when caregivers are temporarily unable to provide domestic care (e.g., due to vacation or illness), or to make age-appropriate alterations to their homes.<sup>1</sup>

Long-term care insurance benefits were not been adjusted between 1995 and July 2008, leading to a decline in purchasing power. In 1995 prices, the care allowance in Care Level I fell by 13 percent from 205 euros to 180 euros (see Figure 1). This decrease is even more pronounced in the higher care-

<sup>1</sup> An overview of the structure and benefits of long-term care insurance can be found in E. Schulz, "The Long-Term Care System in Germany," *DIW Discussion Papers* 1093 (2010). Further information from the Federal Ministry for Health about current entitlements can be found here: [http://www.bmg.bund.de/fileadmin/dateien/Downloads/Statistiken/Pflegeversicherung/Pflegeversicherung\\_im\\_Ueberblick\\_2015.pdf](http://www.bmg.bund.de/fileadmin/dateien/Downloads/Statistiken/Pflegeversicherung/Pflegeversicherung_im_Ueberblick_2015.pdf)

Figure 1

**Care allowance rates by level of care**  
In euro per month in prices of 1995

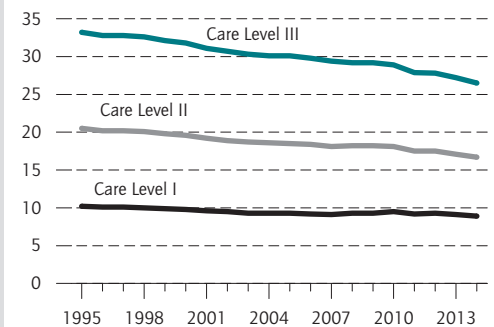


Source: Calculations of DIW Berlin

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Figure 2

**Relative share of care allowance with respect to average gross earnings by level of care**  
In percent



Source: SOEPv30, Calculations of DIW Berlin

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needs categories, reaching almost 20 percent in Care Level III. In 1995, benefits in Care Level III were one-third of average gross salaries, while in 2014 they were down to almost one-quarter (see Figure 2).<sup>2</sup> Incremental benefit increases have been in place since 2008 to help counteract this trend.

<sup>2</sup> For nursing home services, in particular, it is assumed that support payments from long-term care insurance have fallen in value. See H. Rothgang, D. Kulik, R. Müller, R. Unger, "BARMER GEK Pflegereport 2009," *Schriftenreihe zur Gesundheitsanalyse, Schwäbisch Gmünd* (2009): 33-35.

The present study examines the income and asset situation of care recipients in private<sup>4</sup> households based on the Socio-Economic Panel (SOEP)<sup>5</sup> study. The SOEP also contains data on individuals requiring assistance and care who are not receiving long-term care insurance benefits. In the present report, the term *care recipient* includes also individuals who fall into this category. Households containing one or more care recipients are referred to here as *care households*.

Current income is important in determining how much scope care recipients in households have to live independently. Among other things, their income will also determine what options they have for purchasing private care services or making alterations to their apartments or houses to meet care needs. Since 1995, individuals with significant care needs have been able to draw supplemental long-term care insurance benefits. In the analysis of the income situations of these households, the individual incomes of care recipients aged 60 or more are compared with those of the remainder of the population of the same age. In addition, the incomes of households with one care recipient aged 60 or more were compared with those of other households in which the head of the household is 60 years or older. A similar procedure is used to analyze their asset situations.

### Long-Term Care Insurance: An Important Source of Income for Care Recipients

Around 73 percent of the care recipients in households considered here receive long-term care benefits, a good 51 percent of whom receive monetary benefits, i.e., care allowance (see Table 1).<sup>6</sup> On average, care recipients receive just over 5,000 euros per year which indicates the need for a relatively high level of care as defined by the statutory long-term care insurance. Just over 70 percent of care recipients draw a pension. This share is roughly the same as that for individuals of retirement age not receiving care, who receive 4,000 euros more in pension benefits per year than care-receiving pensioners. One reason for this difference is that care recipients are more frequently female and women receive lower pensions than men. This is also why the share of indi-

<sup>4</sup> There are no survey data on the income and asset situations of individuals living in institutions or in relatives' households.

<sup>5</sup> SOEP is a representative longitudinal survey of individual households conducted annually in West Germany since 1984 and in eastern Germany since 1990; see G. G. Wagner, J. Göbel, P. Krause, R. Pischner, and I. Sieber, "The Socio-Economic Panel (SOEP) study: Multidisziplinäres Haushaltspanel und Kohortenstudie für Deutschland – Eine Einführung (für neue Datennutzer) mit einem Ausblick (für erfahrene Anwender)," *ASTA Wirtschafts- und Sozialstatistisches Archiv* vol. 2, no. 4 (2008): 301–328.

<sup>6</sup> At this point, we cannot determine whether individuals receiving care assistance also receive non-monetary care benefits, i.e., a combination of benefits.

Table 1

### Annual income<sup>1</sup> of care recipients and elderly without care requirements in 2012

Type of income	Share of income type		Income amount in euro	
	Care recipients	Other persons	Care recipients	Other persons
Long-term care insurance benefits	72.7			
Care allowance	51.4		5,086	
Pension	71.1	74.6	10,978	14,870
Survivor's pension	23.6	14.8	8,914	8,950
Private transfers	2.5	0.4	2,251	4,982
Rent and lease	8.2	13.2	9,800	11,913
Housing allowance	3.6	1.2	1,010	1,217
Social welfare	2.3	0.7	2,650	3,426
Capital income	49.9	71.9	806	1,056
Employment	0.7	18.6	13,559	26,390

<sup>1</sup> The sample consists of people aged 60 older. Figures were calculated using population weights.

Source: SOEPv30, Calculations of DIW Berlin

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#### Many care recipients draw survivor's pensions.

viduals receiving widow's pensions among care recipients is higher than in the comparison group, although the average payment is similar at just under 9,000 euros per year. Other types of income, such as capital income, are less common among care recipients. Overall, the shares of other public transfers (housing benefit, social welfare) are slightly higher than in the reference group where, as expected, earned income plays a greater role at almost 20 percent.

### Income of Care Households Not Below Average— Transfers Claimed More Frequently

The following analysis of household income differentiates between the following sources of income: employment, capital income, rental value of owner-occupied housing,<sup>7</sup> private transfers, public transfers, and government or private pensions. In 2012, the average weighted<sup>8</sup> net income of care households was just over 20,000 euros (see Table 2), making it approximately as high as

<sup>7</sup> The inclusion of the rental value of owner-occupied housing takes account of the fact that homeowners do not have to pay rent from disposable income, thus improving the comparison of disposable household income between tenants and homeowners (see J. R. Frick and M. M. Grabka, "Imputed Rent and Income Inequality: A Decomposition Analysis for Great Britain, West Germany and the U.S.," *Review of Income and Wealth*, no. 49 (4) (2003): 513–537).

<sup>8</sup> To account for differences in income due to household size, all income components were weighted by the square root of household size; see: [http://www.diw.de/de/diw\\_01.c.411605.de/presse/diw\\_glossar/aequivalenzeinkommen.html](http://www.diw.de/de/diw_01.c.411605.de/presse/diw_glossar/aequivalenzeinkommen.html).

Table 2

**Annual income of care households and other households<sup>1</sup> in 2012**

Type of income	Share of income type		Income amount <sup>2</sup> in euro	
	Care households	Other households	Care households	Other households
Net income			20,787	21,674
Pension (public)	97.1	88.5	13,980	16,277
Pension (private)	18.1	30.2	22,229	25,262
Private transfers	3.0	1.1	2,188	5,594
Imputed rent	58.8	58.4	3,385	3,595
Public transfers	70.9	12.7	4,991	4,465
Capital income	68.8	79.7	1,550	1,895
Employment	18.1	30.2	22,229	25,262

1 The sample consists of households with a care recipient aged 60 or more and other households in which the head of the household is 60 years or older. Figures were calculated using population weights.

2 We account for differences in households size (see Footnote 8).

Source: SOEPv30, calculations of DIW Berlin

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The equivalized net income of care households is almost as high as in other households, although there are considerable differences in composition.

in other households in which the head of the household is aged 60 or over, 30 percent of whom received income from employment. Among care households this share was as low as 18 percent; average earned income in care households was also lower than that of the reference group. Similarly, care households earned capital income less frequently than households with no care recipients and average incomes were lower.

In contrast, care households are above-average recipients of transfers. Three percent of care households received private transfers as opposed to one percent in the

reference group, and around 71 percent of care households received public transfers compared to just under 13 percent in the reference group. Long-term care insurance transfers are likely to play an important role here. With lower payment amounts, the uptake of government or private pensions was more frequent among care households than other households. Overall, the average weighted household income per year was similar in both groups at around 21,000 euros, although there were considerable differences in composition.<sup>9</sup>

In the SOEP, care households were also asked about the extent of regular care costs. Around half of all care households stated that the care situation incurred regular costs, the monthly burden being around 400 euros or a good 20 percent of average disposable household income.<sup>10</sup>

**Care Recipients Less Often Wealthy**

The analysis of the asset situation included monetary assets, private insurance, tangible assets, owner-occupied real estate assets, other real estate, and liabilities.

9 These findings are consistent with assessments of previous SOEP waves which also show that the risk of poverty in care households is no higher than among the general population and that care insurance benefits significantly reduce the risk of poverty. Conversely, it was found that care recipients who were not entitled to care insurance benefits were at greater risk of poverty (see J. Geyer, T. Korfhage, and E. Schulz, "Versorgungsformen in Deutschland – Untersuchungen zu den Einflussfaktoren auf die Nachfrage spezifischer Versorgungsleistungen bei Hilfe- und Pflegebedarf. Evaluation – Bericht-erstattung Pflegequalität," Final report for the Zentrum für die Qualität in der Pflege, <http://www.zqp.de/index.php?pn=press&id=402>).

10 See also Geyer et al., loc. cit.

Table 3

**Individual net wealth of care recipients and elderly without care requirements in 2012**

	Total		Women		Men	
	Care recipient	Other persons	Care recipient	Other persons	Care recipient	Other persons
<b>Net wealth<sup>1</sup></b>						
Mean	93,713	119,405	83,633	106,104	110,479	133,207
Median	9,000	60,000	5,500	50,000	14,540	74,000
<b>Share (in %)</b>						
Positive net wealth	62.0	80.4	57.6	78.7	69.3	82.1
no wealth	33.8	17.4	37.9	19.7	27.0	15.0
negative net wealth	4.2	2.2	4.5	1.5	3.7	2.9

1 Net wealth without business assets. The sample consists of people aged 60 older. Figures were calculated using population weights.

Source: SOEPv30, calculations of DIW Berlin

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Care recipients have less wealth than persons without care requirements.

ties.<sup>11</sup> In 2012, net assets of care recipients totaled almost 94,000 euros (see Table 3), a good 20 per cent lower than the average net assets of other individuals aged 60 years or more. The values in the middle of the distribution clearly show that assets are very unevenly distributed.<sup>12</sup> The median among care recipients is 9,000 euros compared to 60,000 euros in the remainder of the population aged 60 or above. A considerable share of care recipients, approximately 38 percent, has no positive net assets or debt. In the reference group, this share is less than 20 percent. Similar to the income situation, these findings may also be considerably skewed by the fact that care recipients are more frequently female and, at the same time, women also have fewer assets than men. In percentage terms, the difference in assets between female care recipients and female non-care recipients is greater than the corresponding difference in men.

Nearly half of all female care recipients have negative assets or no assets at all. The median is approximately 5,500 euros. Female non-care recipients have median assets of 50,000 euros and only 20 percent have no positive net assets. The median of assets owned by male

care recipients is nearly 15,000 euros and 30 percent have no net assets or are in debt. While the financial situation of male care recipients is, on average, considerably better than for female care recipients, it is much worse than the remainder of men aged 60 years or over; the latter have median assets of 74,000 euros.

### Lowest Assets among Care Recipients Living Alone

A large proportion of care recipients, 43 percent, live alone (see Table 4). Nearly 48 percent live in two-person households and ten percent in households with more than two people. Care recipients who live alone are frequently female and widowed while those living in couple households are more frequently male. Overall, the median assets of care households are just over 35,000 euros, while the reference households have a median of just over 86,000 euros. Around one-third of care households have no positive net assets, while among other households this figure is 20 percent. In care households, however, there are more people living alone and in the reference group households more frequently consist of three or more individuals (25 percent). As a result, household assets are also considered according to household size. Care recipients living alone have the weakest asset position with median assets of 3,000 euros which is well below the level of the reference group (35,000). There is little difference in the amount of assets in larger households, but care households still have fewer assets than the reference group.

**11** In principle, business assets could also be taken into account. However, only a very small proportion of the sample has such assets, but among those that do, the amounts are extremely high. As a result, these assets were not included in our analysis.

**12** For more details about the term "median," see the DIW Glossary (in German only) [http://www.diw.de/de/diw\\_01.c.413351.de/presse/diw\\_glossar/medianeinkommen.html](http://www.diw.de/de/diw_01.c.413351.de/presse/diw_glossar/medianeinkommen.html)

Table 4

### Net wealth of care households and other households in 2012

	Total		Nach Haushaltgröße (Zahl der Personen)					
			Pflegehaushalte			Sonstige Haushalte		
	Care households	Other households	1	2	3+	1	2	3+
<b>Net wealth<sup>1</sup></b>								
Mean	140,799	176,211	82,594	157,728	208,127	115,915	223,042	251,886
Median	35,160	86,600	3,000	90,500	172,203	35,000	141,000	195,000
<b>Share (in %)</b>								
Positive net wealth	67.2	79.9	55.4	72.9	75.5	74.6	84.5	81.5
no wealth	28.4	17.6	39.2	23.5	20.0	22.7	13.1	16.1
negative net wealth	4.4	2.5	5.4	3.6	4.5	2.6	2.4	2.4
Share (in %)			42.6	47.8	9.7	48.7	46.2	5.1

<sup>1</sup> Net wealth without business assets. The sample consists of households with a care recipient aged 60 or more and other households in which the head of the household is 60 years or older. Figures were calculated using population weights.

Source: SOEPv30, calculations of DIW Berlin.

The majority of care recipients who live alone have almost no assets.

## Conclusion

Care situations present care recipients and their relatives with multiple challenges. In order to live independently and be cared for at home as long as possible, care recipients and their relatives need a network for organizing informal care and the financial resources to bear the care costs and, if necessary, to compensate for the carer's loss of income. For those with greater care needs, long-term care insurance plays an especially important role in providing vital assistance in the form of contributions to supplement income or direct non-monetary care. Care insurance does not, however, cover all the care needs and, in the past, has only rarely been adjusted in line with current prices and wages. Despite steps to introduce dynamization for care benefits—a measure which has been in planning since 2008—their real value has declined considerably since their introduction in 1995. This loss is weakest in Care Level I (Pfleigestufe I) which the majority of benefit recipients of long-term care receive.

On the whole, care households earn similar incomes to households with no care recipients. However, they re-

ceive transfer benefits more frequently. The dependence of long-term care recipients on pension and long-term care insurance payments poses risks for future generations since the pension level will fall in future as a result of pension reforms introduced in recent years.<sup>13</sup>

In terms of their private asset situations, care recipients and care households differ considerably from the rest of the population. In particular, care recipients who live alone, the majority of whom are female, have comparatively few reserve assets. From a social policy perspective, this is problematic because care recipients living alone are at greater risk of being transferred to a nursing home. First, this form of care is generally not preferred by care recipients and, second, nursing home care is relatively expensive compared to in-home care—both for social security and for care recipients, who have to cover a large portion of the costs themselves.

**13** J. Geyer and V. Steiner, "Künftige Altersrenten in Deutschland: relative Stabilität im Westen, starker Rückgang im Osten," DIW Wochenbericht, no. 77 (11) (2010): 2-11.

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JEL: I14, I38

Keywords: long-term care, wealth, income distribution



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