

# **Long-Term Care in Germany: Future Demand for Formal Providers and the Role of Informal Caregivers**

## **Abstract**

**Carsten Pohl<sup>1</sup>**

The future labor market for long-term care in Germany will be affected by a strong increase in the number of elderly people. This development is primarily due to the aging of the so-called baby boomer generation and that the propensity of becoming a person with disabilities is highly correlated with age. At the same time the potential labor force will significantly shrink because the baby boomers were followed by a baby bust generation. Against this background, the aim of this paper is to show on the basis of the future number of people in need of care to what extent the labor market for professional long-term care may develop until the year 2030. Thereby, a regional perspective is taken given that (1) not only demographic developments proceed heterogeneously across the federal states but also that (2) the role of informal caregivers is differently pronounced in each region.

Currently, 2.5 million persons in Germany (=5 persons in need of care per 100 inhabitants aged 20 to 64) meet the criteria of the social long-term care insurance and are entitled to receive grants from this system. By the year 2030, it is expected that approximately 3.4 million persons (=8 persons in need of care per 100 inhabitants aged 20 to 64) can be labeled as persons with disabilities. Due to differences in the age structure across the federal states the development will be quite heterogeneously. Whereas the decrease and the aging of the population in Eastern Germany have been going on for several years, this development will only happen in Western Germany in the near future. As a result, in 2030 there will be on average 12 persons in need of care per 100 inhabitants aged 20 to 64 in Eastern Germany, while this ratio is only around 7 in the federal states of Western Germany. In addition, the type of long-term care arrangement, i.e. community based care services, institutional care and care by relatives and/or friends) differs significantly across the federal states. Whereas in some regions around 40% of the persons in need of care are supported exclusively by their relatives/friends and 60% by professional providers (nursing homes and/or home care services), there are other states where 55% are supported by relatives and 45% by formal providers.

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<sup>1</sup> Contact: Institute for Employment Research (IAB), Regional Research Network, Josef-Gockeln-Strasse 7, 40474 Duesseldorf, Germany, email: [carsten.pohl@iab.de](mailto:carsten.pohl@iab.de).

Based on these stylized facts and the projections I develop various scenarios how the labor market for professional long-term care service providers may develop in each federal state until 2030. In this context, the future distribution of persons in need of care on the alternative types of care arrangements, i.e. nursing homes, home care services and/or informal care will crucially affect the labor market for long-term care. Consequently, the aim is not to provide a point estimate for the number of employees in the long-term care sector but rather to provide a range for the demand in each state. Therefore, two basic scenarios (and several sub-scenarios) have been developed. In the first scenario it is assumed that the distribution of the persons in need of care on the alternative arrangements types will be the same as in the base year (2011). Results of these model calculations show that the total staff employed in nursing homes and community-based care services could increase by 239,000 full-time equivalents (from currently 673,000), whereas the increase within the group of skilled nursing staff would be 86,000.

However, the assumption that informal care will also increase in the future is critical as several studies point out. Due to an increase in childlessness over the last decades and an increase in geographical distance between parents and children it is argued that the level of informal care remains (at best) constant in the future. As a consequence, home care services as well as nursing homes will presumably experience a significant increase in demand. Following this rationale, I develop a second scenario where the absolute number of informal care is pegged to the level of the year 2011. Due to this assumption, the increase in total staff amounts to 450,000 whereas the increase in skilled nursing staff would be 163,000.

Overall, the basic scenarios how in which range the labor market for professional long-term providers could develop in each federal state until the year 2030. Comparing the first with the second scenario clearly shows that there is a high substitution effect between informal and professional long-term care (74,000 full-time equivalents in skilled nursing staff). These projections have been developed in order to demonstrate the interdependencies between informal and professional care as well as to show that there are significant differences across the regions. Without any doubt the demand for long-term care also depends on the costs for professional nursing homes and community-based care services. However, these aspects haven't been considered in the analysis given that the institutional framework and eventually the incentives for relatives to engage in long-term care may significantly change over time.

