

# The prospects for caring: economic theory and policy analysis

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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 of caring are found to produce pressures experienced in different ways across different sectors of the economy. These, coupled with inequalities in care responsibilities and labour market opportunities, influence the movement of care between paid and unpaid economies. This analysis is then used to examine the likely evolution of caring norms and practices and how policy might intervene to avoid an uncaring future.

*Key words:* Care, Paid and unpaid labour, Productivity, Inequality, Social norms  
*JEL classifications:* I38, J22, J31, Z13

## 1. Introduction

People spend a great deal of time caring for each other and, over recent years, requirements for care and the manner of its provision have increasingly been recognised as having significant policy implications. Despite this, the theorisation of care has, until recently, had little impact on economics. This paper will attempt to rectify that omission by considering some of the explanations, effects and likely future consequences of how care is provided and consider whether policy can alter those consequences. Here ‘care’ will be taken to mean the provision of personal services to meet those basic physical and mental needs that allow a person to function at a socially determined acceptable level of capability, comfort and safety.

We tend not 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 (Tronto, 1993). Besides self-care, there is also a great deal of unpaid 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>1</sup> and the unequal exchange that arises when one party needs more care than they are able to give. This latter is usually the case for young

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<sup>1</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.

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children, some old people and people with disabilities. It is the need for care of these types of people and the conditions under which others care for them that makes care an object of social policy and is the main concern of this paper.

Care takes place in all sectors of the economy, not just in the domestic sector where it is usually unpaid, but also in various sectors of the paid economy. In the private-for-profit sector, care is allocated by market forces and paid for by its customers, either people needing care for themselves, or third parties, such as parents in the case of children, purchasing care for others. The state may subsidise such care or may purchase care directly. Alternatively, the state may employ wage labour to provide care as a public service, funded by general taxation, national insurance and/or, in some cases, user fees. In the not-for-profit sector, a mixture of wage and volunteer labour provides care that may ultimately be funded by the state and/or voluntary contributions (and again, some user fees).

At a macro level, care is both an important contributor to the economy and a practical limit to its growth. Although only the output of paid carers is counted in gross domestic product (GDP), for some countries, including the UK, there are now satellite accounts that measure the output of unpaid caring, enabling economic aggregates to be calculated that take account of unpaid as well as paid labour. Such accounts show that the output of unpaid care is comparable with that of major industries in the paid economy (Australian Bureau of Statistics, 2000; National Statistics, 2002; Statistics Canada, 1995). Because they do not account for unpaid labour, GDP growth rates can overestimate or underestimate growth for the economy as a whole (paid and unpaid), by not acknowledging the extent to which transfers of caring or other labour between the unpaid and paid economies inflate or deflate GDP.<sup>1</sup> For the US economy, distortions in both directions have occurred over different periods (Wagman and Folbre, 1996). Today, as caring labour is increasingly being transferred from unpaid to paid economies, the GDP-based growth rates that concern policy-makers are likely to be systematically higher than 'whole economy' growth rates, which give a better indication of the sustainability of current trends.

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. The European Employment Strategy (EES), hoping to raise employment rates to improve economic growth, has not only an overall employment rate target of 70% for member countries by 2010, but also specific targets for women (60%) and older workers of both sexes (50%), the groups most likely to have caring responsibilities and thus lower than average employment rates (European Commission, 2005). It recognises that if these targets are to be met alternative forms of care will have to be found to replace some of the unpaid care currently performed by these potential new recruits to the labour market, and so it also has targets for the provision and uptake of childcare, though not of other forms of care as yet. This is but one example of the way in which policy on care is often motivated by other issues, in this case the more conventional economic concern to increase (GDP) growth rates.

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

<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).

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 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. One motivating force behind the EES's attention to increasing growth rates is to be able to sustain the European Social Model's financial and caring support for the elderly despite rising life expectancy and falling birth rates.

This means that knowing about the trends in care needs and likely future development of caring is important for understanding the economy as a whole. 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 services. 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:

1. Care is the development of a relationship, not the production of an output that is separable from the person delivering it; this has implications for the extent to which productivity in caring can rise without affecting its quality.
2. Care needs, responsibilities for fulfilling them and the resources to do so are unequally distributed and tend not to go together; this has implications for the extent to which public provision of care or support for carers will be needed if socially determined care needs are to be met.
3. Social and personal norms, which vary across societies, affect perceptions of who is seen to need care, who has responsibility for fulfilling their needs and how that care should be delivered; this has implications for how family members are currently cared for in different countries and the political consensus about when and how the state should be involved in ensuring that different types of care needs are met.

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 childcare and social care for the elderly and people with physical and mental disabilities, have specific features of their own and may vary in the extent to which the above features apply to them. For example, the Independent Living Movement does not wish the first characteristic necessarily to apply to the care of all people with disabilities, some of whom may prefer the greater independence of having their needs to be met in a less 'personal' way, by physical services that provide them with the means to care for themselves. Technically, the provision of such services is outside the scope of this paper, which has defined care as a personal service, and has specifically excluded self-care.

The argument of this largely theoretical paper is that the above three features encompass characteristics that are common to most types of caring and are abstractions salient to developing an economic analysis of caring. Inevitably, in applying economic analysis to these abstract features some of the concrete reality of caring is lost; nevertheless, this paper will show that some 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 feature in turn and examine its implications for the evolution of caring. The first (Section 2) will examine specifically how far the economic concepts of ‘productivity’ and ‘opportunity costs’ can take us in the analysis of trends in caring. This conceptual theme will be continued in the next section (Section 3) in considering the effects of inequalities in earning power and in caring responsibilities on the employment opportunities of carers. Section 4 will modify this approach by introducing the importance of norms in turning the analysis of opportunity costs into an understanding of what people actually do. The following two sections will put the analyses of the previous three sections together, first to examine their joint implications for the future of caring, and then to consider how policy has attempted and might attempt to change this future, before the conclusion, on a more optimistic note, 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. Usually a carer carries out a physical task for the person they are caring for, though ‘passive caring’ may just involve being available in case assistance is required. However, rather than just the provision of a personal service, to be worthy of the term ‘care’ at its core there must also be 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 can only occur by indirect means, by reducing the time spent on ancillary activities or by transforming the product into something quite different.<sup>1</sup>

To explain why productivity inherently rises much more slowly in the arts than in the rest of the economy, 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 without substantially changing its nature. Capital investment, technological improvements and better organisation might improve the quality of the music produced, transporting

<sup>1</sup> Kaldor (1966) claimed that productivity increases would be lower in all services because there was less scope than in manufacturing for output growth to influence productivity growth through dynamic and other economies to scale. However the rapid productivity gain that information technology has brought in business and other services has thrown doubt on Kaldor’s claim, which does not distinguish between different types of services as Baumol does.

musicians by air rather than train could indirectly increase the numbers of performances they could give. And, after the invention of sound reproduction, music could be provided far more productively than when live performance was required, although the experience of listening to that music was transformed in the process by not being in the presence of the performers. But none of these could reduce the number of people needed and the time they took to play a particular piece of music. (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. There are, therefore, even greater problems in providing quality-corrected productivity measures within caring than in the provision of other services. For the purposes of this paper, productivity in caring will be taken to mean the number of people cared for per unit of carer's time, without taking account of the quality of care being provided. Implicit in this is the assumption that once care is being delivered 'efficiently', a concept that will need unpacking later in this paper, increased productivity can only result in lower quality care: time cannot be saved while maintaining standards of care.

This assumption strictly applies to active caring rather than to the passive caring involved in being on hand in case assistance is needed. Different types of care vary in the proportion of active to passive caring required. It may be possible to increase productivity in passive caring by organisational change and by some technological innovations, such as mobile phones and baby alarms, which enable carers to multitask and be further from those for whom they have responsibility. Nevertheless, there are limits to the numbers of people for which a single carer can reliably take responsibility even on such a precautionary basis, and such productivity improvements are manifestly limited compared with the continual increase in productivity that is seen in the production of goods and services whose labour input is not valued as part of the product. Similarly, productivity can be increased by transforming care into something else. Using microwavable food may enable one meals-on-wheels provider to spend more attentive time caring for her clients. But if it is used instead to enable her to serve more people in the same amount of time by minimising the time that she spends with each of them, productivity has been increased simply by diminishing the care element of her work.

Productivity cannot be compared across different industries producing different products, since it is measured in units of output per unit of time. However, rates of change in productivity can be compared across different industries and it is variations in these that give rise to changing opportunity costs, that is, in the amount of one good or service that has to be foregone to produce one unit of another. The forces of innovation and competition that tend to increase productivity in most industries in a capitalist economy, but can do so to a much more limited extent in care, will therefore result in a rising opportunity cost of care as the time taken to deliver care does not fall nearly as fast, if at all, as that required to produce a typical bundle of other goods and services. This 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, across both the paid and unpaid economies, and to individuals deciding how best to use their time.

### *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 that of those goods where productivity is increasing.

Rising relative costs will apply to the provision of care across all sectors of the paid economy: private (for-profit), self-employed, voluntary (not-for-profit) and public sectors. However, the likely response to those rising costs will differ.

In private sector care provision, unless the price charged for care can rise 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 rising costs in higher prices to customers who are themselves income constrained by their own earning power and many of whom will only stay in employment and purchase care if the gain from doing so makes employment 'worthwhile' (see Section 4 below). Therefore, to stay profitable, employers need to resist wage rises and/or reduce staffing levels, putting downward pressure on care and training standards. However, there are limits to any strategy that disadvantages workers in a growing industry. 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 and career prospects lag too far behind those available in other occupations.<sup>1</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 than in the private-for-profit sector and, therefore, be somewhat more willing to solve the problem by self-exploitation, 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 for carers to keep up with wages 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 relative 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 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>2</sup>

## 2.2 *The unpaid economy*

A large proportion of care is provided on an unpaid basis 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; National

<sup>1</sup> For the same reason, paid domestic care has become a luxury market, reflecting the difficulty that all but the most well-off private employers have in paying wages that can compete with those that can be earned elsewhere, even by the least skilled.

<sup>2</sup> Forty years ago Baumol noted a similar tendency to blame rising municipal spending on inefficient urban administrations rather than the growing costs of public services (Baumol, 1967).

Statistics, 2002; Statistics Canada, 1995). 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, but this does not apply to caring. 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 quantity and quality of domestic care.

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

Productivity rises in the production of marketed goods and services, because they increase the real wage that an unpaid carer could otherwise earn, are experienced by those caring unpaid for others as a growing opportunity cost of time out of the labour market. 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.

However, that tendency for the purchasing power of the wage that could be earned by entering the labour market to rise does not apply when it comes to purchasing care, since productivity in its provision does not increase 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 deciding whether to take employment, who would have to pay for full replacement care if they entered the labour market, 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 in itself affect the balance of that decision.

Despite this, throughout the developed world there has been a broad movement of care from unpaid work 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. One possible cause of this movement is that in such cases there is a productivity gain to be realised in transferring those aspects of care to the paid economy. (Although productivity levels cannot be compared in the production of two different types of output, productivity can be compared across paid and unpaid caring because their outputs are not inherently different.)

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 opportunity cost of domestic production, measured either historically by the real cost of servants' wages or latterly by the purchasing power of the potential wage foregone by homemakers, owing to a fall in the price of commodity substitutes.

However, for reasons explored above, moving into the paid economy does not in itself raise productivity in caring. Nevertheless, although it is hard to raise the productivity of caring without lowering standards, its productivity can fall. While there may a limit to how many people one carer can actively care for at the same time without reducing the quality of

that care below socially acceptable standards, that limit may not always be reached in domestic settings, particularly in increasingly small nuclear families. Further, passive, and some active, caring can be combined with other tasks, but only when these are available. As other forms of domestic production become commodified, opportunities for multitasking are reduced, lowering overall productivity.<sup>1</sup>

The pressures on care provision in the paid economy examined earlier are likely to result in a similar level of productivity being achieved across the paid economy for a particular type of care, which we could call its 'maximum socially acceptable productivity' and define as 'efficient' care produced at that level of productivity. Thus 'efficiency' in care provision is socially defined; indeed, in many types of care such social definitions are reflected in regulations concerning staff/client ratios. Thus, in the UK, for example, there are national standards setting minimum staff/child ratios for day nurseries, ranging from 1:3 for children under 2 years of age to 1:8 for children aged 3–7 years (Daycare Trust, 2004). Pressures of rising costs are likely to ensure that actual ratios are close to these minima, except for those suppliers trying to attract higher paying customers by providing care of higher quality at less than maximum socially acceptable productivity.

In the unpaid economy, the productivity of care provision will vary according to a family's circumstances. In particular, the number and age of people and their particular care needs will affect productivity, both directly and indirectly, by limiting the extent to which other tasks can be combined with their care. Where unpaid care is delivered at less than maximum socially acceptable productivity for that particular type of care, transferring that care to the paid economy would result in a productivity gain.

This is true for the economy as a whole. Overall productivity would be increased and time devoted to caring saved by shifting caring from less productive domestic settings to group settings where economics of scale are possible, whether by commodification or through state or voluntary provision. Such a productivity gain would free some people with caring responsibilities to enter 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)<sup>2</sup>.

The potential for such gains will vary according to the type and quantity of caring responsibilities and the maximum socially acceptable level of productivity for particular types of care. Thus, the participation rate of mothers with only older children increased before mothers with young babies, and both number of children and the age of her youngest child remain strong predictors of whether a mother is in paid employment (Walling, 2005). Parents' greater reluctance to put young babies in childcare is reflected in the lower maximum socially acceptable level of productivity in infant care, which in turn affects parents' ability to pay for that childcare should they wish to do so.

Whether any potential productivity gains can be realised through the market depends on individual circumstances and wider social factors. The following two sections will examine

<sup>1</sup> Indeed, one reason why time-use studies show increasing amounts of domestic time being devoted to caring may be that other activities are no longer carried out in the home that would previously have been combined with caring and were then more likely to be recorded. This is because respondents are encouraged to record physical activities rather than their motivation. Because much caring requires responsibility rather than a specific physical activity, caring may therefore be underreported, even in those time-use studies that allow simultaneous activities to be recorded (Bittman *et al.*, 2004; Budig and Folbre, 2004; Himmelweit, 1998; Ironmonger, 2004).

<sup>2</sup> Decreasing family size can also diminish the productivity of paid domestic caring. Nanny sharing can be seen as an attempt to overcome this.



the influence of two other 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, by definition, unequally distributed. As noted earlier, care is an object of social policy because there are people with care needs who are unable to make an equivalent contribution to caring for others. Further, because incomes are unequally distributed and not according to care needs, inequality exists 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 their 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 responsibilities, whether for providing, organising or financing care, is socially determined, with considerable international variation in how particular types of caring responsibilities are shared between family members, the extent of gender differentiation and how much financial or other help is given by the state or other non-familial organisations. Nowhere, however, does the allocation of 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. In practice, caring responsibilities often make people poorer, by restricting their time to make use of economic opportunities, in particular to enter the labour market.

Inequalities in caring responsibilities affect the size of the productivity gap, if any, between unpaid and paid care, while inequalities in labour market opportunities determine 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 greater than average caring responsibilities, for example those caring for large families or for anyone needing constant one-to-one care. Where there is no productivity gain to be realised, employment will not be perceived as financially worthwhile except by those who can earn a wage higher than the average paid to carers or who can call on help with the cost of providing replacement care, for example, through relatives providing some unpaid care or through state subsidies. 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 unsubsidised replacement care should still bring a net financial gain. However, for unpaid carers with lower earning power there may still be no net gain from employment in the absence of financial or other help with providing replacement care.

Since many with caring responsibilities are women, and women's wages are low, many will find the net financial gain to employment insufficient to compensate for the difficulties of finding a job and organising care and to overcome the influence of social and personal norms favouring maternal 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 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 different types of care and also across place and time, tend to be highly gendered, and are influenced by current practices and the economic and social conditions under which those practices take place (Finch and Mason, 1993; Folbre and Weisskopf, 1998). There is considerable variation across Europe, for example, in the level of care that is considered adequate for particular people, in how that care is delivered and in how much time and importance is put on caring and rewarding carers (Fagan, 2000, 2001). And this varies across different types of care, so that whether and how family members are expected to take responsibility for the care of elderly parents, for example, is not necessarily congruent with a country's norms and practices with respect to the care of young children.

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, employment regulations, the gender pay gap, child and social care provision and state benefits). Social norms about caring, influenced by current practices, then condition the way in which public and private attitudes and choices are structured by economic conditions and state policies (Fagan, 2000, p. 244). Nevertheless, there remain individual variations 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 the gains in productivity to be had from its commodification were small. Social norms and, in some cases, state regulations resisted the lowering of quality of provision on which larger productivity gains would depend. However, with increasing divergence in women's wages, decreasing family sizes and declining opportunities for multitasking, increasing numbers of better paid women have chosen to 'outsource' care as the opportunity cost of using their own time to provide care rose (Davies *et al.*, 2000; Joshi *et al.*, 1996). These early movers' higher earning power, by indicating that their employment was chosen rather than imposed on them by circumstance, may have had a disproportionate influence

on social norms, at least with respect to childcare. Thus, in the UK, for example, as Figure 1 shows, the employment rate of mothers of pre-school children rose rapidly through the 1990s, and at the same time the general public's attitudes towards their employment became more favourable (Himmelweit and Sigala, 2004).

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 stand in the way of progress in the long run, if progress means 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 are social norms, the more frustrated carers who do not earn enough to pay the current costs of replacement care will become. In looking for affordable 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, raising the maximum socially acceptable level of productivity (an apparent increase in productivity masking a real fall in quality) and even views on who needs care may change. All these are subject to norms that are likely to come under pressure from the increasing relative costs of care.

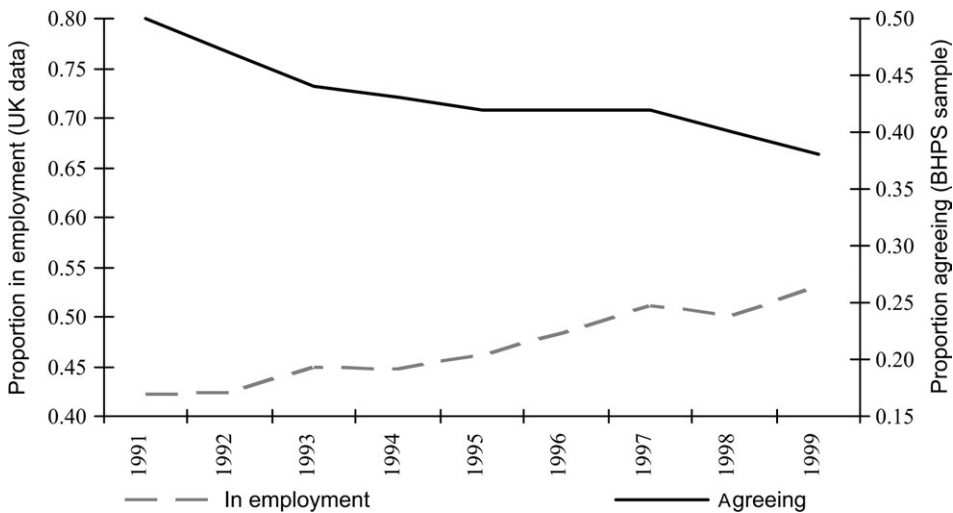


Fig. 1. The employment rate of mothers of pre-school children (left-hand axis) and proportion of the whole population agreeing that 'pre-school children suffer if their mother works' (right-hand axis). Source: British Household Panel Study.

## 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 to be 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.

We have seen that unless the maximum socially acceptable level of productivity rises through lower care standards being considered acceptable, productivity within paid caring cannot, in general, rise. However, where productivity is lower in unpaid than in paid care, productivity in caring overall 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.<sup>1</sup> While this movement continues, the total numbers of hours devoted to caring across both paid and unpaid work will fall, but caring will take up a greater proportion of paid hours; correspondingly, so must the proportion of GDP devoted to caring.<sup>2</sup> (Again there are caveats: if standards are allowed to fall, the rise in the proportion of the paid workforce in caring and in the proportion of GDP devoted to caring will be moderated; the latter will also rise less quickly, 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. This will lead to worsening inequalities between those who are in employment and those who are not, for only those receiving wages 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 marginalised, both within their families and in society more generally, and to lose whatever political voice they currently retain.

<sup>1</sup> For example, in 2004, 25% of married and cohabiting mothers and 41% of lone mothers with only one child were not in employment (Walling, 2005). While some of these may have had other caring responsibilities and some may have had a very young baby, the productivity in caring of the remainder must have been lower than that of paid carers.

<sup>2</sup> Let  $N$  be the total hours of paid employment, of which  $C$  hours are devoted to care. If paid care is performed at maximum socially acceptable level of productivity,  $p_s$ , then  $p_s C$  units of care are provided by paid work. If an unpaid carer, working at productivity  $p_u$ , now starts working in the paid economy for  $n$  hours,  $p_u n$  units of caring will need to be transferred to the paid economy, requiring an extra  $p_u n/p_s$  hours of paid caring, changing the proportion of paid hours devoted to caring from  $C/N$  to  $(C + p_u n/p_s)/(N + n)$ . This is an increase, provided  $C(N + n) < N(C + p_u n/p_s)$  or  $C/N < p_u/p_s$ , that is, the proportion of paid hours devoted to caring is less than the ratio of productivity of the unpaid caring being transferred to the productivity of caring in the paid economy. For the marginal mover, earning wages comparable to those of carers, the productivity ratio is likely to be not far from unity (otherwise the move would have been made already). For a mover earning more, the productivity ratio at the margin would be higher, even possibly more than unity. Only for those earning below the wages of a typical carer would that ratio at the margin be proportionately lower. But, given that carers' wages are close to the bottom of the pay hierarchy, the ratio cannot be much lower than unity and certainly higher than the current proportion of total paid hours devoted to caring. In 2006, 28.5% of all workers in the UK were employed in the category 'public administration, education and health' and only a proportion of them are carers (Labour Force Survey, 2006; see [http://www.statistics.gov.uk/downloads/theme\\_labour/LFSHQ/2006/2006\\_LFSHQ/Table22.xls](http://www.statistics.gov.uk/downloads/theme_labour/LFSHQ/2006/2006_LFSHQ/Table22.xls)). So, currently any shift of care from the unpaid to the paid economy will increase the proportion of the latter devoted to care.

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, as we have seen, the behaviour of those initial movers being well-off enough to have had a choice 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. Purchasers with lower incomes to spend will put pressure on the price of care and, in turn, on standards of care provision and on the wages and working conditions of paid carers. Norms may indeed shift so that lower care standards become acceptable and people considered in need of 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 for 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, younger 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 is 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. 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>1</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.

<sup>1</sup> EU enlargement is expected to bring in large numbers of paid carers willing to work for low wages from the new accession countries. Transitional arrangements and quotas, to last from two to seven years, which will apply to such workers will restrict their ability to compete on equal terms with local workers in most of the older EU countries (OECD, 2004). The UK, which allowed workers from the previous accession countries free access to its labour markets, is planning to restrict access to workers from Romania and Bulgaria when they join the EU.

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, owing 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 public attitudes could support such increases in public spending, since paid care will increasingly be seen as the norm which should be available to all. But public attitudes could also resist such increases, particularly where there is private sector competition in the provision of care, for if there are pressures to lower standards in the private sector, they are more likely to be tolerated in the public sector too.

In sum, without further state intervention the following changes can be expected: paid care for the foreseeable future is likely to 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 care provision, with declining standards of provision likely to be increasingly tolerated. Whether employment conditions improve or more disadvantaged workers are recruited remains an open question, as does the effect on public spending on care. 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 loath to interfere directly in the 'private life' of the family, in reality 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.

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 USA, especially not African-American mothers, after the welfare reforms of the 1990s it was clear that motherhood outside the labour market would no longer be tolerated for those on welfare.

Similar, if less punitive, trends in policy are evident in other Anglo-Saxon welfare systems that 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 the labour market (Himmelweit *et al.*, 2004). Underlying this shift is the 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, the fact 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 mothers and others with caring responsibilities, making the demand that those on welfare with similar responsibilities 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, and particularly on those where the subsidies required to commodify care are outweighed by increased tax revenues 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'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 enter the labour market to realise any productivity gains. These are low earners without another non-employed parent in their household to provide care.<sup>1</sup> But subsidies for childcare do not increase for third or subsequent children, leaving employment still unaffordable for mothers of large families, where there is little or no productivity gain to be had from commodifying their unpaid caring. Further, subsidies cannot be used to pay for childcare by relatives. Not only is this seen as an unnecessary dead-weight cost if relatives are assumed otherwise to provide such care free, but productivity gains are unlikely to be realised in simply shifting care from one family member to another.

In other types of regimes, different childcare policies have enabled those productivity gains in care to be realised. 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 high female labour force participation and a large 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 day care before the end of their first year; perhaps there are no productivity gains to be had from group care that meets social norms of acceptable productivity for the care of children below that age. Another solution, adopted in a piecemeal way in many European countries,

<sup>1</sup> Though means-testing on family income rather than the individual wage results in it being not quite as well-targeted as it might be for maximum employment effect. Parents with high earning partners are ineligible for any financial help with childcare, irrespective of their own earning power.

is to subsidise directly those private or voluntary sector providers who provide care for those on entry-level wages.<sup>1</sup>

The cost of any of these policies will inevitably grow. 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. And the costs of such subsidies will rise in line with earnings. In other words, even to maintain current methods and standards of care, spending rising roughly in line with GDP would be needed.

Some factors could make these costs grow faster or more slowly. 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 at a faster rate 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, as well as the maximum socially acceptable levels of productivity in different types of care.

Overall wage inequality also has an effect on those costs. If paid carers' wages do not change relative to the average wage (and are below it), then rising wage inequality will increase both the number of people needing subsidy (to either wages or care costs) to be able to afford to take employment and the average subsidy, accelerating the rate at which the cost of simply maintaining the status quo grows. If paid carers' relative wages rise in response to increased demand, these costs will rise yet faster. 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. If wage inequality were to fall, the increase in overall costs would be slower. However, evidence over the past 20 years on wage inequality has pointed in the opposite direction, with greatly increasing wage inequality in most developed economies being compounded by a growing gap in disposable income between those with and those without caring responsibilities.

Subsidies are not the only form of intervention that can help realise any productivity gain between unpaid and paid care. 'High-road' 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>2</sup> Particularly 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.

<sup>1</sup> For example, some form of direct subsidy to childcare providers, at least for training purposes, looks likely to be an element of 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 (Daycare Trust, 2006).

<sup>2</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 to be piloted (HM Treasury, 2004B, p. 82, para. 4.40).



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 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 may render such policies ineffective unless there is sufficient supply of labour from disadvantaged groups, unable to access better paid work. 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 (e.g. those employing carers in their own homes) from some aspects of labour legislation.<sup>1</sup> That it is, even now, difficult to recruit and retain care workers suggests that such strategies may not be sufficient even to maintain the status quo, and that better conditions for care workers will be needed.

## **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 between those who can access the increasing standard of living afforded by employment and those who cannot earn enough to meet their caring responsibilities through the market. 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 these are not those with greatest 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, which 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, which is the more likely scenario. Such a strategy will also need to give specific attention to improving the standards of care and the

<sup>1</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).

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 it, because the need for such a 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 maintain, or even increase, provision and 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 the 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 a high cost to society as a whole, and in particular to those who continue to care.

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