



The role of culture in long-term care arrangement decisions[☆]



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ABSTRACT

In this paper, we show how and to what extent cultural factors may influence the LTC market and elderly living arrangements. Using a spatial regression discontinuity design, we exploit the within-state variation in language groups in Switzerland to provide evidence about cultural differences in LTC use. We show that elderly people residing in regions speaking a Latin language (French, Italian and Romansh) enter nursing homes in worse health conditions and rely more on home-based care compared to elderly people residing in the neighboring German regions. Differences in the strength of family ties across linguistic groups represent the most reasonable explanation for such differences.

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1. Introduction

Population aging and the change in the family structure are expected to increase long-term care (LTC) expenditure substantially in the next 50 years, raising the burden on society to cover elderly care services. In 2010, public LTC expenditure accounted, on average, for 1.8% of GDP across the EU-27 and this expenditure is expected to double by 2060 (Oliveira Martins and de la Maisonneuve, 2013). However, the LTC market is still considered too small if we take into account the high expenditure associated with the old age dependency risk (Brown and Finkelstein, 2007). A quite voluminous literature (see Norton, 2016 for a review) has investigated the LTC insurance puzzle focusing on several supply side (e.g., imperfect competition and asymmetric information) and demand side (e.g., limited rationality, biased risk perception and informal

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care) factors. More recently, attention has been also devoted to the role of cultural factors,¹ mainly to explain the large cross-country variation in the size of this market (Costa-Font, 2010). This paper shows how and to what extent cultural factors may influence the LTC market. To this aim we compare LTC arrangement decisions across language regions in Switzerland using a spatial regression discontinuity design (RDD).

LTC arrangements can be distinguished between residential care provided in nursing homes and home-based care provided at the individual's home. While residential care is always formally provided, home-based care can be either formal or informal – that is, provided by family members. Generally speaking, LTC arrangements respond to different needs and the choice among them is the result of different factors. The health condition of the older person is of fundamental importance in deciding the amount of formal and informal care required (Bonsang, 2009; Norton, 2000). In many cases, elderly people choose residential care only when their health condition is too critical to be cared at home (Ryan and Scullion, 2000). Another important determinant is the availability of substitutes for care. Indeed, cohabiting with other people increases the probability of receiving informal care, while living alone is significantly associated with higher formal home-based care and nursing home use (Kemper, 1992). Finally, payment schemes for formal health care services are also found to influence LTC use (e.g., Siciliani, 2013; Orsini, 2010).

Social scientists have also explored the cultural-driven north–south gradient in LTC arrangements across European countries. The elderly are more likely to be institutionalized (i.e. in nursing homes), and more likely to use formal health care services in Continental and Scandinavian countries than in Mediterranean countries (e.g., Bolin et al., 2008). Costa-Font (2010) offers a cultural explanation for this phenomenon and, more generally, for the limited development of the LTC insurance market in many countries. He finds that family ties appear to influence the decisions to purchase LTC insurance, and that European countries with stronger family ties exhibit lower levels of formal LTC coverage. This is consistent with the sociologists' view according to which “weak” and “strong” family ties countries show very different cultural norms about the role of the family in taking care of the elderly (Reher, 1998). Nevertheless, in these studies the presence of significant differences among Southern, Central and Northern European countries in LTC utilization might be driven by the large differences in institutional settings. Indeed, economic conditions, institutional factors and cultural norms are very difficult, if not impossible, to disentangle using cross-country studies.

We overcome this problem by exploiting the unique institutional setting provided by Switzerland. Switzerland is a confederation of 26 states called cantons, and counts four distinct cultural groups corresponding to four different languages spoken, namely German, French, Italian and Romansh. These language groups are geographically well-delimited, and the discontinuity in the probability of speaking a given language is quite sharp at language borders. Moreover, there are large differences between cultural groups, particularly between German speaking communities and communities speaking a language of Latin origin (French, Italian and Romansh).

Eugster et al. (2011) show how the large cultural difference between these two broad language groups shapes the demand for social insurance. In particular, the support for redistribution policies and for the expansion of social insurance is larger among Latin-speaking Swiss residents compared with their German-neighbors in adjacent municipalities. Moreover, the authors show the presence of stronger family ties among Swiss-Latin individuals. Using Swiss data from the European Value Survey (EVS) and the International Social Survey Program (ISSP), we also document the presence of clear differences between Latin- and German-speaking people living in Switzerland for some selected questions about family value and elderly care. Fig. 1 clearly shows that Latin-speaking respondents are more likely to consider the family as very important in their life. They also believe that elderly care should be provided by family members (especially adult children), and spend a larger amount of time in providing care for family members than people living in German areas.

In this paper, we argue that the before described difference in family values across the two main Swiss cultural groups – German and Latin – gives rise to large differences in the demand for LTC arrangements. First, we use a simple theoretical framework to predict how different individual preferences may affect the dependency level at entry (i.e., health conditions) in nursing homes and, as a consequence, the relative provision of home-based care compared to nursing home care. In particular, if stronger family ties imply stronger preferences for care at home, Latin-speaking individuals are expected to enter a nursing home in worse health conditions and use more formal home-based care with respect to German-speaking individuals. Then, using Swiss administrative data on nursing homes and formal home-based care providers, we provide empirical evidence that supports our theoretical predictions.

While cantons have large power in many economic sectors, including the organization of LTC services, linguistic borders do not always coincide with cantonal administrative borders. Particularly, there are three French- and German-speaking bilingual cantons and one Italian-, Romansh- and German-speaking trilingual canton (see Fig. 2). As in Eugster et al. (2011), we disentangle the effect of culture from the effect of different institutional settings using a spatial RDD at the linguistic border between German- and French-speaking municipalities in the three bilingual cantons. Thus, contrasting LTC choices of people living on different sides of the linguistic border within the same canton (i.e., holding supply and institutional factors constant), we can identify the impact of culture on LTC arrangement decisions. We do not use the variation coming from the trilingual canton (Graubünden) because the identification would be based on too few municipalities and potentially confounded by important geographical discontinuities (i.e. the Alps).

¹ Following the growing literature on the economic effects of culture (e.g., Alesina and Giuliano, 2015), we refer to culture as customary beliefs, attitudes and system of social norms that characterize a particular group and that are transmitted from generation to generation.

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