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Investing in Social Care Delivery

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There is little mystery to explaining our current high levels of unemployment. The Bureau of Economic Analysis recently revised its figures on GDP growth, and revealed that not only was the recession worse than we realized, but recent growth rates have been overstated as well. The hole, in other words, was deeper than we thought, and we have been climbing out of it at a slower pace. Simply put, the economy has failed to recover to the point where it can be expected to generate sufficient job growth.

In the event that Congress should turn its attention away from the (so far) purely notional dangers of rising debt levels and back toward the immediate and tangible jobs crisis, it might consider a solution that has been overlooked so far: job creation through social care investment.

Last year, President Obama made a compelling case for investing $50 billion in our physical infrastructure. However, analysis of a comparable investment in the delivery of social care services suggests that the case for the latter is even stronger.

Using input-output analysis combined with a microsimulation based on statistical matching techniques, we can compare the employment results of a hypothetical $50 billion investment in either physical infrastructure or community-based social care. For the purposes of the simulation, the social care investment is divided equally between home-based health care for the elderly and chronically ill (dealing largely with postoperative recuperation and management of chronic illness), and early childhood development services (care for children under five, with cognitive and noncognitive educational components). The results of the simulation suggest that we would get more bang for the buck, from the standpoint of employment, by investing in the care sector—all while aiding those least able to weather the current economic storms.

Like infrastructure projects, investment in care delivery addresses a set of pressing social needs—in this case, care deficits for the young, the elderly, and the seriously ill or disabled. Beyond the value of these critical services, investing in either area generates much-needed employment opportunities for the bloated ranks of the unemployed and discouraged. The simulation results suggest, however, that an investment in social care delivery would generate more than twice the number of jobs—1.2 million versus 500,000—as a comparable investment in physical infrastructure, largely due to the higher labor intensity of care work relative to construction work.

In addition to producing more jobs per dollar spent, social care investment effectively targets the least well off. Although jobs in social care also go to workers with a college degree or some college (given the licensing requirements for early childhood teachers and care providers), more than 42 percent of the jobs generated through social care investment can be expected to flow to workers with less than a high school diploma, as compared to only 14 percent in the case of infrastructure. The simulation also suggests that in the case of social care almost half the jobs created would go to workers from households earning less than $39,000, whereas for physical infrastructure projects, half the jobs are secured by middle-income workers (workers from households in the 5th to 8th decile).

Social care investment would also produce more substantial gains from the perspective of gender equity: first, by reducing the burden of care—particularly welcome to women who work a double day—and second, by substantially expanding income-earning opportunities for women. With social care investment, over 90 percent of the jobs created are secured by women, whereas approximately 88 percent of infrastructure jobs flow to men. Expanding paid care services largely aids women from low-income households, enhancing household income security by providing a stable paycheck in the event of negative income shocks.

Direct job creation through investment in social care is an effective and equitable piece of the unemployment puzzle. In an ideal policymaking climate, there would be no reason to choose between physical infrastructure projects and investments in social care delivery. Given the government's current rock-bottom borrowing costs and the stable inflationary environment, there is more than enough fiscal room for both. But whereas the economic logic suggests that these two options should not be in competition, there appears to be little current political room for increases in public outlays. Given this scarcity of political will, there is a good deal of evidence that, from the standpoint of employment alone, investing in social care would produce a higher return on our investment.

A more detailed discussion of this topic can be found at www.levyinstitute.org/pubs/wp_671.pdf and www.levyinstitute.org/pubs/ppb_106.pdf.

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