B1: Target support for informal caregivers by income

The same care burden costs low-income families their earnings and high-income families their free time. Today, 49% of care hours provided by low-income families come at the expense of paid work, a figure projected to rise to 53% by 2070. A means-tested formal care subsidy is unlikely to solve this problem, as it primarily helps those who are already using paid care by reducing its cost.

Recommendation:

- **Introduce or expand income-tested cash allowances for informal caregivers**, rather than relying on means-tested formal care subsidies as the primary tool to protect low-income households.
- **Prioritise caregivers of people with high care needs**. This group accounts for most care hours, and informal care allowances consistently deliver a larger impact per euro spent than discounts on formal care.
- **Recognise the "double exposure" of low-income families**: they are more likely to have a child assume the caregiver role, and that child has more to lose by taking it on. Policy design should treat this as a distinct equity issue, rather than simply a matter of formal care affordability.
- **Where possible, combine these measures with pension credit protection:** see Policy Recommendation B3 for the rationale and supporting country-level evidence.

Why this matters

Informal caregiving currently imposes an economic cost, in terms of lost labour supply, foregone earnings and related effects, equivalent to around 1.7% of GDP in the EU5. This is comparable in magnitude to EU defence spending, and the figure could rise to 2.6% by 2070. Yet this aggregate number hides a crucial question: who actually bears the cost?

The burden falls unevenly by income

Total care hours decline as household income rises. This is not because higher-income families provide less care, but because their parents tend to have lower care needs. What differs across income groups is how the caregiving burden is absorbed. For low-income families, a much larger share of care comes at the expense of paid work, and this disparity is projected to widen further over time:

	2023	2070 (pessimistic)
Low-income	47%	52%
Middle-income	42%	45%
High-income	44%	46%

Table 1: Share of care hours from paid work by income group, today and in 2070 under the pessimistic health scenario. Source: Koo (2026).

Higher earners protect their working hours and give up free time instead. Lower earners do the opposite: because the wages they would forgo are relatively lower, they are more likely to reduce paid work when care demands increase. As a result, better-off households tend to pay for caregiving through

lost leisure, whereas lower-income households pay through lost wages, weaker labour-market attachment and, ultimately, lower pension entitlements. The result is a stark inequality in who bears the burden.

A structural mechanism makes this worse

Within families, the cost of caregiving has both a monetary and a non-monetary component. The monetary cost mainly reflects forgone earnings, while the non-monetary, or psychic, cost reflects factors such as emotional closeness to the parent, personal preferences and willingness to provide care. Because lower earnings imply a lower monetary opportunity cost, lower-earning children are systematically more likely to assume the caregiver role in the first place. According to BB-Future's cooperative-siblings model, the child with the lowest earning potential becomes the primary caregiver in around 77% of cases, regardless of whether the family as a whole is high- or low-income.

This creates a "double inequality": children in lower-income families are more likely to be drawn into caregiving, and they also face more severe economic consequences when they do so.

Why a means-tested formal care subsidy does not solve this

As discussed in Policy Recommendation C2, a means-tested formal care subsidy mainly changes who pays for formal care already in use, not who provides the care. By contrast, a universal subsidy can shift care from informal to formal providers. As a result, means-tested formal care subsidies are poorly suited to addressing the burden faced by low-income informal caregivers. They primarily reduce costs for households already using formal care, while offering little support to families in which a child has already cut back on employment or exited the labour market to provide care.

A more targeted tool works better

Individuals with high care needs represent around 40% of long-term care recipients, yet account for more than 80% of all care hours provided. To assess how best to support this group, a BB-Future simulation compares two policy reforms: (i) a 20% reduction in the out-of-pocket cost of formal care, and (ii) a €100 monthly allowance for informal caregivers.

The results are striking: the informal care allowance generally delivers a larger impact per euro spent than the formal care subsidy. One reason may be a fundamental difference between the two instruments. A cash allowance reaches caregivers directly, regardless of the type of care arrangement in place, whereas a formal care subsidy only becomes relevant once a household is already using formal care services.

Country generosity amplifies the case

Countries with less generous long-term care systems, such as Italy, Poland and Spain, where the burden on low-income families is likely to be greatest, also exhibit the strongest behavioural response to formal care reforms. The estimated elasticity is −0.44, compared with just −0.08 in high-generosity systems.

This suggests that informal care allowances and formal care affordability measures are most complementary precisely where the equity challenge is greatest.

Finally, one design caution: policies that encourage a broad shift towards formal care may conflict with the preferences of many low-income families, who would prefer to continue caring for parents at home.

An income-tested informal care allowance avoids this tension, because it supports the family's chosen care arrangement rather than steering it towards a different one.

The analysis in this document is based on the following BB-Future sources:

- Barczyk, D., Y. Koh and M. Kredler (2026) 'Preference heterogeneity versus economic incentives: what determines long-term care arrangements in Europe?', SSRN Working Paper, available at: https://doi.org/10.2139/ssrn.7126885
- Barczyk, D., M. Kredler and F. Yang (2026) 'Rethinking long-term care subsidies', BB-Future Digest 11, 31 July, BB-Future, available at: https://www.bb-future.eu/wp-content/uploads/2026/07/BB-Future-Digest-11_31072026.pdf
- Barczyk, D., M. Kredler and F. Yang (2026) 'Universal versus means-tested long-term care subsidies', BB-Future Digest 12, 7 August, BB-Future, available at: https://www.bb-future.eu/wp-content/uploads/2026/08/BB-Future-Digest-12_07082026.pdf
- Koo, D. (2026) 'In a 24-hour day, more care means less time at work', BB-Future Digest 4, 12 June, BB-Future, available at: https://www.bb-future.eu/wp-content/uploads/2026/06/BB-Future-Digest-4_12062026.pdf
- Koo, D. (2026) 'Macroeconomic implications of the care wave: informal care, labour supply and the ageing transition in the EU5', Deliverable 6.2, BB-Future, available at: https://www.bb-future.eu/deliverables/.