

# **Spillover Effect of Japanese Long-Term Care Insurance as an Employment Promotion Policy for Family Caregivers**

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## **Abstract**

We evaluate the effects of Japanese public long-term care insurance (LTCI) on the labour supply of family caregivers. Using nationally representative repeated cross-sectional data from 1986 to 2013, we investigate the effect of the LTCI on family caregivers' labour participation in three periods: before and after the introduction of the LTCI in 2000, before and after its amendment in 2006, and post-amendment (as of 2006). We apply the difference-in-difference method on the common support with kernel propensity score matching in the first two periods and the multinomial logistic regression method in the third period. We find that (1) the introduction of the LTCI in 2000 encourages male and female family caregivers aged 65+ and 50- to participate in the workforce, (2) the amendment, which restricts formal long-term care services for the elderly with moderate care needs, might have a negative impact on the labour supply of female family caregivers aged 50-, and (3) non-working family caregivers aged 50-65 are more willing to find part-time jobs than non-caregivers after the amendment. Our findings demonstrate a success of the LTCI in alleviating caregiving burden of family caregivers to stimulate their labour supply, which could be a good lesson for other country where the population aging has been becoming a critical social issue.

Key words: public long-term care insurance in Japan, labour supply of family caregivers, kernel propensity score matching, difference-in-difference estimation, super-aged society

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