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Contracting for Care

. . . *Paula England and Nancy Folbre*

Women's traditional responsibility for the unpaid work of caring for dependents has contributed to their economic dependence on men and disadvantaged them in the labor market. Mothers earn substantially less than other women over their lifetime and face a significant risk of poverty in the event of nonmarriage or divorce (Budig and England 2001; Davies, Joshi, and Peronaci 2000; Waldfogel 1997; Joshi 1990). More care work is now being done for pay, mostly by women who earn less than they would in other jobs requiring the same education and experience (England, Budig, and Folbre 2001; England and Folbre 1999). Although many of those whose jobs involve providing care services are poorly paid, the cost of care services relative to other goods and services is rising. Sometimes those who need care cannot afford it. The federal government is setting limits on public assistance to mothers at home caring for their children and is seeking to contain medical care costs, especially for the elderly. The quality of care services for dependents such as children and the elderly seems uneven and in some cases unacceptably low. In short, the "care sector" of our economy suffers from a number of serious problems.

What has caused these problems? Many economists argue that care services and other jobs filled by women are underpaid because of an *over*supply of labor to these fields. Both explicit

The research for this chapter was funded in part by the MacArthur Foundation's Research Network on the Family and the Economy.

discrimination and gender role socialization limit women's access to employment and crowd them into traditionally female jobs (Bergmann 1981, 1986; Jacobsen 1994; Blau, Ferber, and Winkler 1998). Research on comparable worth suggests that cultural bias also comes into play and that employers tend to devalue jobs that are filled by women and to set lower pay scales for them (England 1992). All these factors help explain why care work is poorly rewarded. In our opinion, however, they do not provide a complete explanation. Furthermore, they shed little light on the other problems outlined above.

In this essay, we argue that care work itself has distinctive characteristics that help explain the economic vulnerability of those who provide it. High-quality care often requires long-term commitments or "contracts" characterized by emotional connection, moral obligation, and intrinsic motivation. Whether such contracts take the form of implicit agreements governed largely by social norms or explicit agreements between employers and employees, they are difficult to specify and enforce. Yet they are especially important for the well-being of dependents such as children, the sick, and the elderly, who are seldom in a position to renegotiate them.

Our analysis explicitly links feminist theory with "new institutionalist" approaches within economic theory. Most of the interdisciplinary feminist literature on care engages with economic theory primarily to criticize it (see, e.g., Himmelweit 1999; Kabeer 2001; Staveren 2001; Held 2002). This is hardly surprising, since most economists assume that individuals are "rational," self-interested calculators who respond primarily to changes in prices and incomes. Most economists also focus on transactions in an impersonal spot market without long-term contractual obligations. One could hardly ask for a theory less appropriate to an analysis of care work, which has important emotional and altruistic dimensions and is shaped by values and social norms (see England, chap. 1 in this volume). Care work tends to be personal in nature, and it often takes place within relatively long-term relationships.

Mainstream economics remains largely unconcerned with such issues. This mainstream is, however, becoming slightly more diffuse, with the emergence of new side streams and undercurrents deploying concepts such as "transactions costs," "implicit contracts," "endogenous tastes," and "reciprocity" (Williamson 1985; Pollak 1985; Stiglitz 1987; Akerlof 1982; Bowles and Gintis 1998). For shorthand, we refer to this literature as the "new institutionalist economics" and define it quite broadly. Though still largely based on traditional assumptions, new institutionalist approaches generally emphasize the ways that values, norms, and preferences help coordinate individual decisions. They often use the term *contract* as a metaphor to help explain the evolution of nonmarket institutions and long-term relationships. We believe this metaphor—in spite of its limitations—offers some important economic insights into the social organization of care. We also believe that the language of contracts provides a way of explaining feminist concerns that could help redirect mainstream economic discourse.

A contract implies a binding commitment that may restrict future choices. Yet individuals presumably choose to enter into—or at least to conform to—both explicit and implicit contracts. Thus, the contract metaphor seems to provide an appealing way of preserving the element of individual choice even while explaining limits on it. Some kinds of contracts, however, are more difficult to design and enforce than others. We argue that contracts for care are especially susceptible to three problems: (1) individuals cannot fully participate in the formulation of contracts that have an impact on them; (2) care contracts are difficult to monitor and to enforce; and (3) individuals themselves are modified by the contracts into which they enter. These contracting problems contribute not only to gender inequality, but also to low pay, poor quality of services, and insufficient supply of high quality labor in paid care work. They point to the need for serious efforts to rethink and redesign the social organization of care.

Feminist Conceptualizations of Care

A rich body of feminist literature criticizes lack of attention to care within the Western intellectual tradition and emphasizes both its centrality in women's lives and its importance to society as a whole. Much of this literature highlights the distinctive characteristics of care as an activity that conspicuously violates the standard assumptions made regarding the motivation of "rational economic man"—dispassionate pursuit of narrow self-interest (Staveren 2001). No binary opposition between "care" and "noncare" is implied here, but rather location along a continuum. Care tends to have particularly salient emotional dimensions, and it often involves strong moral obligations. As such, it is a highly gendered concept, one that tends to be located more within the feminine than the masculine realm (Nelson 1996).

Often the word *care* itself is used to describe a motive or a moral imperative (Noddings 1984; Tronto 1987; Gordon, Benner, and Noddings 1996). In a similar spirit, some social scientists use the phrase "caring labor" to call attention to the fact that caring motives imply emotional connection between the giver and receiver of care. Kari Waerness (1987) and Arnaug Leira (1994) emphasize the ways caring labor departs from traditional economistic definitions of work as an activity performed despite its intrinsic disutility, simply in order to earn money. Both Jean Gardiner (1997) and Sue Himmelweit (1999)

argue that equating family care with "work" obscures its personal and emotional dimensions and that paid care retains its personal quality to the extent that it resists "complete commodification."

In other words, caregivers are not motivated purely by pecuniary rewards. Emily Abel and Margaret Nelson (1990, 4) put it this way: "Caregiving is an activity encompassing both instrumental tasks and affective relations. Despite the classic Parsonian distinction between these two modes of behavior, caregivers are expected to provide love as well as labor." Likewise, Francesca Cancian and Stacy Oliker (2000, 2) define caring as a combination of feelings and actions that "provide responsively for an individual's personal needs or well-being, in a face-to-face relationship." In the same spirit, Nancy Folbre has previously defined caring labor as work that provides services based on sustained personal (usually face-to-face) interaction and is motivated (at least in part) by concern about the recipient's welfare (Folbre 1995; Folbre and Weisskopf 1998).

Other feminist scholars define care in terms of the task done or services rendered. Thus, for instance, Mary Daly (2001) defines care as all activities that benefit dependents, such as the ill, dependent elderly, and young children; and Diemut Bubeck (1995, 183) defines care as "meeting a need that those in need could not possibly meet themselves." Deborah Ward (1993) uses the term more broadly for many needs of individuals met by the family and the community but outside the market. Despite their emphasis on outcomes, all these writers also emphasize the role that gendered social norms play in shaping the motives for providing care.

Empirical researchers cannot easily verify or measure motives and therefore tend to focus on other characteristics of care work. In our own recent research, we define caring labor as work providing face-to-face services that develop the capabilities of the recipient (England, Budig, and Folbre 2001). *Capabilities* refers to health, skills, or proclivities that are useful to the individuals themselves or to others. These include physical and mental health, and physical, cognitive, and emotional skills, such as self-discipline, empathy, and care. Such care services are provided by parents, other family members, friends, and volunteers, but also by people who are paid, such as teachers, nurses, child-care workers, elder-care workers, therapists, and others. We show that being employed in such jobs leads to a wage penalty, net of education, years of experience, and a number of job characteristics, such as sex composition, skill demands, industry, whether the workers are unionized, and whether they are self-employed or work for government, and so forth.

Preliminary estimates suggest that care services, defined in terms of the type of work performed, account for a significant portion of all unpaid and paid work within the United States today. Time budget studies show that about one-

half of total work hours take place outside the market economy, and a substantial share of this work involves the care of family members. Furthermore, about one-fifth of the paid labor force in 1998 was employed in industries providing care: hospitals, other health services, educational services, and social services (Folbre and Nelson 2000). Women devote considerably more time to family care than men do, and within the paid labor force, women remain concentrated in occupations and industries involving care (Folbre and Nelson 2000; England, Budig, and Folbre 2001). The ways in which these care services are organized have particularly significant implications for female workers, as well as for the welfare of the children, the sick, the elderly, and others in special need of care. One of the most important dimensions of their organization concerns the nature of the contracts that define the mutual rights and responsibilities of workers, managers, supervisors, owners, and clients.

Many recent discussions of feminist public policy concern the appropriate role of the family, the market, and the state in the provision of care (Meyer, Herd, and Michel 2000; Ungerson 2000; England and Folbre 2002). For instance, should feminists support paid family leave from work that would enable parents to spend more time caring for infants, or should they support public subsidies for child care outside the home, or both (Bergmann 2000)? These institutional contexts matter in large part because their contractual arrangements vary substantially, with implications for the quantity and quality of care supplied as well as both the level and distribution of costs and compensation.

Contracts

The new institutionalist economics explores the economic logic of long-term commitments in both firms and families, asking two questions of particular relevance to the social organization of care. Why do contracts emerge in the first place, when individuals could make more flexible decisions by avoiding long-term commitments? Why do contracts take implicit as well as explicit forms? Little, if any of this literature addresses feminist concerns and therefore has often elicited strong negative responses from feminist theorists. Nonetheless, it offers some potentially important insights. While many authors writing under the new institutionalist economics umbrella believe that all contracts are efficient, some emphasize the role of distributional struggle (Bowles and Gintis 1998; Hirshleifer 2001). We believe this emphasis on distributional struggle can and should be extended to analysis of the ways in which specific contractual arrangements both reflect and shape differences in the relative power of men and women.

As mentioned above, we use the term *contracts* to refer to agreements or understandings between two or more parties concerning mutual expectations or obligations. In other words, we define the term more broadly than legal scholars such as Margaret Brinig (2000). Unlike simple exchanges of goods and services in spot markets, contracts imply binding commitments over a period of time. Some contracts are explicit agreements, written or verbal, as, for instance, "If you agree to take care of my child for five hours, I will pay you $20." Even explicit agreements often have informal or implicit dimensions. For instance, it might be understood that taking care of the child requires more than simply providing supervision and food.

Contracts take place in a legal context that generally defines their scope. Most legal traditions place restrictions on allowable contracts. For instance, persons are not allowed to sell themselves or their children into slavery. Some contracts are standardized by law. For instance, in the United States, the state where two persons marry stipulates many important features of the contract governing their economic obligations to one another and their ownership of property. Some laws essentially take the place of contracts. For instance, parental responsibility to children is not based on any signed agreement, but it resembles one. Parents who fail to provide for the basic well-being of their children can be punished, even jailed, or lose their parental rights. In England, between 1871 and the advent of Old Age Pensions in the early twentieth century, the state attempted to require adult children to support their parents, and, to help enforce this, they began treating the elderly like other paupers, requiring them to live in the workhouse to get any relief (Quadagno 1982, chap. 4; Orloff 1993, 119).

Similarly, the responsibilities that an individual citizen owes to the state, including payment of taxes, are not specified in an explicit contract, but nonetheless represent an enforceable obligation. The rights and responsibilities of citizens are partly specified in the Constitution of the United States, which also establishes the principle that an individual must, under most conditions, yield to laws established by majority rule.

The "social contract" is often construed even more broadly to refer not just to laws, but also to expectations of reciprocity. These expectations are often strongly influenced by gender and age. For instance, no current U.S. law stipulates that adults must provide support or care for their parents, yet, despite the absence of a current law, our society considers this an obligation based on reciprocity: they took care of you when you were a dependent child, hence you should take care of them when they are dependent elderly. Similarly, many gender norms embody a particular version of reciprocal exchange: men should provide income and women should provide care.

Because contracts represent commitments with some power to bind, they limit individual choice. Thus, the very existence of contracts poses a challenge to traditional neoclassical economic theory. For example, why do individuals form the long-term relationships known as "firms" to engage in business enterprise when they could, theoretically, just buy and sell the labor and other inputs they need on the spot? In a classic article, Ronald Coase (1937) argues that contracts between employer and employee are more efficient than spot markets because they economize on the costs of obtaining information and conducting transactions. Oliver Williamson (1985) builds upon Coase to argue that firms also use long-term relationships with other firms (such as input suppliers) to lower transactions costs.

Similarly, much of the new institutionalist literature on families argues that they represent an efficient means of organizing the care of dependents (Ben-Porath 1980; Pollak 1985). It has been suggested that monogamy, a specific form of marriage contract, emerged in Western Europe because it led to better outcomes for children than other arrangements (Macdonald 1995). Gary Becker's *Treatise on the Family* (1991) includes considerable speculation on why families have changed over time as the economic benefits of gender specialization have declined. Becker, in particular, describes individual decisions to marry and raise children as essentially similar to decisions about buying or selling commodities, a description most feminists find offensive (Bergmann 1995). However, one need not agree with Beckerian assumptions to acknowledge that both firms and families are characterized by contractual elements with important implications for individual incentives and economic efficiency.

The factors affecting the emergence of specific types of contracts are also related to costs and benefits. Explicit or formal employment contracts are expensive to specify and to monitor, creating an incentive to develop implicit or informal agreements that are reinforced by higher wages or returns to seniority (England and Farkas 1986). To the extent that workers are self-interested and find leisure preferable to work, they will have an incentive to shirk. At the same time, modern methods of team production make it difficult to assess individual productivity. Direct monitoring in the form of surveillance or supervision is costly. An alternative strategy is to increase the cost of job loss by paying an "efficiency" wage that is higher than one that would be generated by the forces of supply and demand alone (Akerlof 1982; England 1992, chap. 2). Higher wage costs can be counterbalanced by higher effort, which in turn leads to higher output per worker (Stiglitz 1987). Similarly, virtually all businesses offer returns to seniority that essentially "overpay" older workers relative to younger ones, both to encourage worker effort and to allow the firm to capture the advantages of firm-specific experience (Lazear 1990).

In a significant departure from traditional economic assumptions, many social scientists argue that trust and reciprocity in the form of "social capital" can help enforce implicit contracts (Putnam 2000; La Porta et al. 1997). Even *Business Week* goes so far as to argue that economic prosperity depends on an "intricate web of relationships, norms of behavior, values, obligations, and information channels. . . . The essential qualities of social capital, as opposed to physical or human capital, are that it reflects a community or group and that it impinges on individuals regardless of their independent choices" (Pennar 1997, 153; see also Nelson, chap. 3 in this volume). Samuel Bowles and Herbert Gintis (1998) review experimental evidence showing that people are often willing to sacrifice income in order to punish those who do not conform to norms of reciprocity. George Akerlof (1982) goes beyond concepts of trust and reciprocity to suggest that employers may try to encourage the development of affection and loyalty by paying a higher wage. Robert Frank (1988) explains a number of other ways in which emotions can play a strategic role in lowering monitoring and information costs. These are observations that have obvious relevance to the provision of care.

Feminist theorists might be more receptive to arguments about explicit and implicit contracts if these were less closely linked to traditional assumptions presuming economic efficiency. Most of the institutionalist literature offers little insight into social inequalities based on nation, race, class, or gender, ignoring the ways in which powerful groups may use collective action to design contractual arrangements that allow them to maintain control or to extract a surplus (Folbre 1994b). A widely accepted explanation of the emergence of capitalist firms, for instance, suggests that they simply provide a more efficient set of incentives than worker-owned enterprises (Alchian and Demsetz 1972; Hart 1995). Similarly, most economists working within the Beckerian tradition simply assume that the gender division of labor is an efficient one that has no important distributional consequences for men and women.

It is important to challenge these assumptions by moving beyond definitions of efficiency that hold the distribution of income fixed (e.g., the Paretian criterion that no one can be made better off without making someone else worse off). Most contractual arrangements tend to benefit one group more than another, and hierarchical arrangements often create conflicts of interest that can lead to inefficient outcomes. For instance, capitalist firms may provide efficient incentives for residual claimants (owners) but not for wage earners (Bowles 1985). Similarly, patriarchal property rights that promote efficient "management" may also contribute to other effects that are inefficient as well as unfair. For instance, Elissa Braunstein and Nancy Folbre (2001) argue that traditional patriarchal property rights forced women to "overspecialize" in childbearing and child rearing, reducing the overall level of economic efficiency. They argue that some forms of economic development created incentives for men to allow more flexibility in the gender division of labor, which contributed to women's empowerment.

In general, analysis of the shifting costs and benefits of different contractual arrangements could help inform strategic efforts to overturn those that are unfair or exploitative. Successful application of the insights of the new institutional economics to the care sector, however, will depend on explicit consideration of the distinctive characteristics of care work.

Contracting Problems

To illustrate the metaphor of implicit contract, we propose an informal long-term agreement between new institutionalist economists and feminist theorists that could benefit both groups. Institutionalist economists should acknowledge that the provision of care is an economically crucial activity that does not conform to their typical assumptions (as pointed out in this chapter's first section). Feminist theorists should acknowledge that the metaphor of contract does not necessarily require acceptance of that traditionally stylized paragon of efficiency known as "economic man" (as pointed out in this chapter's second section). In this section we offer feminist theorists several examples of problems in the care sector that can be interpreted as contracting problems. At the same time, we emphasize that these problems are not only more serious than most institutionalist economists concede, but also have particularly adverse consequences for women and dependents (as well as men who provide a significant amount of care).

Missing and Incomplete Markets

Although contracts are, in some respects, a substitute for spot markets, explicit contracts often rely on marketlike processes—in particular, the ability to strike a deal. Economists acknowledge a problem of "missing markets" that emerges when individuals willing to pay for a good or service are unable to make arrangements to obtain it. Another case of missing markets arises when the consumption of public goods cannot be easily restricted to those who pay for them. In both cases, the result is a less than optimal provision of the good or service in question in the economy as a whole. This category of problems has obvious relevance to the provision of care.

Becker (1991) offers a tongue-in-cheek example of markets that are missing because of lack of agency. Imagine children who have not been but would like to be conceived, contracting with their (possible) parents to bring them into

the world in exchange for some later payback. Obviously, the agents who could strike this deal do not exist. Although he acknowledges this problem, Becker fails to fully consider its implications. Many children already born suffer from inadequate love, food, or medical care. Because they are children, however, they cannot contract for better care.

Frank Knight (1921, 374–75) put it this way: "We live in a world where individuals are born naked, destitute, helpless, ignorant, and untrained, and must spend a third of their lives acquiring the prerequisites of a free contractual existence." Like Becker, however, Knight draws a sharp distinction between dependence and independence based entirely on age. Most people experience periods of dependency not only as children, but also during periods of illness or crisis and in old age. Dependency exists on a continuum, and even many healthy working-age adults lack the cognitive or emotional skills needed to take care of themselves without any help from others. Dependency may also have economic causes, as when individuals lack resources as a result of forces beyond their control—layoffs, bank failures, terrorism, or war. Further, it is precisely when we need care the most that we are least able to contract with others to meet our needs (England and Folbre 2002).

Another example of a missing market involves externalities, or spillovers from private transactions that impinge on individuals who are not party to them. As a classic treatment by Ronald Coase (1960) emphasizes, individuals theoretically have the power to seek a contractual remedy. In principle, someone affected by a negative externality can sue for damages. In practice, however, their ability to do so is limited when the effects are diffuse and difficult to measure (as, for instance, when air quality is reduced by a number of different sources of pollution with different effects on different people).

Economists have devoted little attention to social (as opposed to physical) externalities, but a range of evidence suggests that care produces outcomes that have the "nonexcludability" aspect of public goods—that is, once produced, there is no way to get people to pay the producer for them. Care work that develops recipients' capabilities has potential spillover effects on all those likely to come into contact with those individuals, whether as friends, neighbors, intimate partners, or fellow workers (England and Folbre 1999; Wax 1999a, 1999b). Sociologist James Coleman (1988) focuses on averted social costs, noting that children raised in unstable or uncaring environments, such as a succession of short-term foster care homes, are far more likely than others to impose costs on society through crime. Care services almost certainly increase the quantity and quality of what Robert Putnam (2000) and others term "social capital."

The provision of care services to children also results in positive fiscal externalities, or savings to taxpayers. Pension systems based on "pay-as-you-go" financing redistribute income from the working-age population to the elderly without regard for differences in the level of resources the elderly had committed to child rearing in earlier years (George 1993; Folbre 1994a). Yet elderly individuals with living children are often less likely than others to require publicly subsidized nursing home care (Wolf 1999). In April 2001 the German Constitutional Court ruled that childless workers were free riding on the efforts of parents, and should pay higher rates for social insurance ("No German Children?" 2001). Recognition of such fiscal externalities provides the rationale for the family allowance systems in effect in most Northwestern European countries.

Monitoring and Enforcement Problems

The quality of care services is especially difficult to measure. Sometimes, the person receiving the service is not competent to judge its quality. This is especially clear with children and adults whose capacities are impaired as a result of illness. Employers of care workers can monitor physical abuse and technical incompetence. Theoretically, video cameras could be placed in all child-care centers, schools, and nursing homes. Of course, there is the obvious difficulty that watching video monitors is time consuming and that installing them would erode morale of workers under surveillance. But there is also the problem that more subtle emotional aspects of care, such as warmth, nurturance, reassurance, and the sense of "being cared for" are difficult to monitor. Furthermore, care skills have a significant person-specific and situation-specific component that makes them very different from a manufacturing or clerical assembly line. Finally, education, health services, and nursing home care are generally provided through third-party payment systems such as the government or an insurance company. These institutions often limit the providers that can be used, restricting the right of consumers to "shop around" and find providers that provide high-quality care.

Given that the quality of care is hard to assess, why are care workers not among those who generally receive an "efficiency wage" that elicits higher effort in response to higher pay? One reason may be that the logic of efficiency wages hinges on the assumption that average output per worker can be measured, even if individual effort cannot. As for quality, consumers will pay more if they can be sure their product is of higher quality. In the case of care services, however, "outputs" as well as "inputs" are difficult to assess.

Even competent adult consumers may not be the best judges of quality when purchasing services designed to increase their capabilities rather than

merely provide immediate pleasure. Clearly, care that makes a recipient "feel good" is not always the best form of care. A teacher's job is to educate students, not necessarily to make them happy. A therapist's job is to help people learn to cope with their problems, not always to cheer them up. Furthermore, the capabilities at stake are often complicated. Standardized tests measure teachers' success in improving students' test scores, but not their success in motivating children to become lifelong learners, or fostering important emotional skills such as self-control and empathy. Yet evidence suggests that motivation and emotional skills are as vital to success as cognitive skills (Goleman 1995). Likewise, nurses' ability to insert a needle can be easily tested, but their ability to reassure and comfort a patient cannot be easily judged.

In mental health, child care, and education, as well as many other industries within the care sector, skepticism about the link between higher expenditures and improved outcomes fuels resistance to increased spending. The difficulty of measuring treatment efficacy helps explain the declining health insurance coverage of mental illness (American Psychological Association 1997; USDHHS 1999). Both parents and developmental psychologists express considerable disagreement regarding the best form of child care for infants (Phillips and Adams 2001; Sylvester 2001). While some economists insist that increased expenditures are a necessary, though not sufficient, condition for improving educational outcomes (Card and Krueger 1992), others insist that it is largely irrelevant (Hanushek 1996).

Combined with the third-party payment structures that are typical of care for dependents, these information problems reduce the consumer sovereignty that is usually considered necessary for market efficiency. They may also contribute to low pay for care workers. Measurement of care outcomes could probably be improved. Nonetheless, the inherent difficulties of measuring and monitoring both inputs and outputs help explain why the care sector relies heavily on intrinsic motives rather than extrinsic rewards.

Endogenous Preferences

A third category of contracting problems with significant implications for care activities has been less well explored by economists: the transformative effect of care itself. (See England, chap. 1 in this volume, for a broader discussion of endogenous preferences.) Care workers may become attached to care recipients in ways that make it difficult for them to withhold their services in order to demand more remuneration for them. The emotional content of care services reduces the flexibility of both providers and recipients of care, affecting the way either group perceives their needs and wants. In the more technical vocabulary of neoclassical theory, preferences for care provision are often partially endogenous.

Performance of care may increase commitment to provide it. Sociological evidence of the impact of jobs on workers comes from the research of Melvin Kohn and others, showing that individuals in jobs requiring more intellectual skill get successively "smarter" (Kohn and Schooler 1983). Similarly, in jobs requiring care, individuals may become more caring. Also, as mentioned before, economist George Akerlof (1982) suggests that employees may "acquire sentiment" for employers or coworkers. In care work, however, employees often acquire sentiment for their clients. Child-care workers become attached to the toddlers they see every day. Nurses empathize with their patients. Teachers worry about their students. The fact that these emotional bonds are important to the development and health of the care recipients helps explain why high turnover rates in child care and elder care are worrisome.

At the same time, these emotional bonds put care workers in a vulnerable position, discouraging them from demanding higher wages or changes in working conditions that might have adverse effects on care recipients. We might call the workers "prisoners of love"; a kind of emotional "hostage effect" comes into play. Owners, employers, and managers are less likely to come into direct contact with clients or patients than are care workers. Therefore, they can generally engage in cost-cutting strategies without "feeling" their consequences. In fact, they can even be confident that adverse effects of their decisions on clients will be reduced by workers' willingness to make personal sacrifices to maintain high quality care. For instance, workers may respond to cutbacks in staffing levels by intensifying their effort or agreeing to work overtime. In this situation, the "acquisition of sentiment" paradoxically contributes to a worsening of working conditions and very likely care quality as well. Giving workers more voice in managerial decisions through institutional mechanisms such as trade unions could turn their sentiment to better advantage for their clients as well as themselves.

One could argue that workers who reveal a preference for providing a care service receive a compensating differential for lower pay—their sacrifice is rewarded by "psychic income"—the appreciation of the care recipient. This is probably true to some extent. But this rationalization unravels if the preference is not exogenously given, but develops as a result of particular circumstances. As with other models of "addiction," workers may not know ahead of time to what extent they may become vulnerable to the acquisition of costly preferences (Orphanides and Zeroos 1995). Whether "hostage" logic applies more to care than to other kinds of work is an empirical question. Nonetheless, it could help explain the persistence of a gendered division of labor, to the extent that cultural

norms encouraging women to take responsibility for care are reinforced by the actual experience of providing it.

Both economists and psychologists have contributed to a growing literature on the effects of intrinsic motivation—willingness to do a task even with little or no extrinsic reward, or to provide a high level of effort despite lack of pecuniary incentive. Some studies find that offering payment for volunteer activities or civic participation can have the opposite of the intended effect—they reduce labor supply or effort, leading to a "crowding out" effect (Eisenberger and Cameron 1996; Deci, Koestner, and Ryan 1999). However, much depends on particular circumstances. *Many of the experiments discussed in this literature* focus on the effect of crossing the highly charged symbolic divide between things done for no money at all versus those done for money, rather than on the effects of increases in pay, which are more relevant to the organization of paid care services.

Furthermore, the effects of extrinsic rewards are strongly affected by the form they take. The experimental studies suggest that extrinsic rewards that are seen as "controlling" tend to reduce intrinsic motivation for a task, while those that are seen as "acknowledging" increase intrinsic motivation. Rewards called "controlling" in this literature are those coupled with close supervision or other processes that raise questions about the recipients' abilities and threaten their self-esteem. "Acknowledging" rewards are those that send the message that the recipient is trusted, respected, and appreciated (Frey 1998; Frey and Goette 1999; Frey and Jegen 2001). Applying this insight to the care sector, we might expect that linking teachers' pay to students' scores on standardized tests or paying nurses a premium for reducing the lengths of patient hospital *stays might reduce intrinsic motivation, because they suggest that we don't* trust these professionals to do the right thing without careful measurement of outputs. On the other hand, honoring the outstanding "teacher of the year" or the "nursing team of the week" with a pay bonus might enhance such intrinsic motivation.

Conclusion

Since women take responsibility for a disproportionate share of care work, a better understanding of the logic of its social organization is crucial to a better understanding of gender inequality. Furthermore, human society cannot flourish without an adequate supply of care, which helps us develop our capabilities and provides comfort and meaning in our lives. The Western intellectual tradition has traditionally assumed that women naturally provide care for others, especially dependents. But the provision of care has always been in substantial part socially constructed and susceptible to economic pressures affecting both its quantity and quality. A better understanding of these pressures could contribute to the development of a society in which all human beings can flourish.

The contracting problems described in this chapter deserve more attention from feminist theorists. At the same time, they demonstrate why economists need to pay more attention to feminist theory. The traditional masculine emphasis on individual choice, rational choice, and measurable results has deflected attention from the provision of care services that involve social obligation, emotional commitment, and important but often intangible outcomes. As we shift from a regime that was based largely on implicit contracts within the family to more explicit contracts within paid employment, the costs of care become more visible.

Some of the implications of this shift were hinted at by the economist William Baumol (1967) when he coined the phrase "cost disease of the service sector." He argued that the service sector of the economy was more resistant to productivity-enhancing technical change than manufacturing and was therefore likely to experience rising relative prices. In retrospect, Baumol was wrong to lump all services together. Retail, banking, and insurance services have reaped the benefit of innovations in information technology, leading to significant cost reductions. Care services, however, are inherently labor intensive: they require face-to-face, hands-on contact. Their relative price will almost certainly continue to rise even if wages of care workers remain low (Donath 2000).

Both the weakening of social obligations imposed on women and the expansion of female employment opportunities contribute to increases in the cost of care services. It seems inappropriate, however, to describe this process as a "disease." Rather, we should resist several unhealthy ways of responding to higher prices: demanding that women assume disproportionate responsibility for unpaid care, skimping on pay, lowering quality standards, or reducing public support for those who cannot afford adequate care on their own. A better understanding of contracting problems could help us design better ways of increasing the quantity and quality of care services. It could also move us toward a more equitable distribution of their costs.

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