



Developing personal and household services in the EU

A focus on housework activities



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European Commission

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Executive summary

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Introduction

Personal and household services (PHS) cover a broad range of activities that contribute to well-being at home of families and individuals: child care, long term care for the elderly and for persons with disabilities, cleaning, remedial classes, home repairs, gardening, ICT support, etc. One can distinguish between “care” activities and “non-care” activities, depending on the state of being of the recipient of the service or his/her needs. One can say that care services are provided to (dependent) persons with special needs (long-term care for older people, care services to disabled persons, childcare services), while “non-care” services will rather be provided so as to improve the well-being of the recipients. However it is important to note that the same service (e.g., cleaning the home) can be considered as part of the overall care provided to a dependent person, or just a convenience service helping non-dependent people to have more free time or better conciliate their work-life balance. As well as far as conciliation issues are concerned, the distinction can sometimes be difficult to maintain. **For the purpose of the present review and despite these theoretical difficulties, care services and their governance have been left aside.** Indeed, the report focuses on home-based services such as cleaning, ironing, gardening, maintenance, remedial classes, etc. A central element of these services is that they all are underpinned by the process of externalising the work of households to external providers.

At national level in the EU, different definitions of what personal and household services cover are on offer. These definitions depend on public policies that operate in this field. Different policies have indeed been implemented in EU countries in order to encourage the legal purchase of these services, as informal arrangements and undeclared labour reach significant levels in this sector of the economy. These public policies necessarily rely on a prior definition concerning which home-based services might benefit from such incentives. The “list” of these services can be more or less inclusive and will either focus only on non-care services (like in Belgium), sometimes including home renovation services alongside services for private individuals (Sweden, Finland) or regrouping all non-care services with care services in a large “personal service” sector (France). In these countries, PHS are defined accordingly as services giving advantages to consumers. In other countries, the sector is not defined on the basis of public schemes aimed at developing the sector, but rather on the basis of specific regulations concerning work and employment. As these services are generally provided on

a temporary, occasional basis and are submitted to a strong attractive force of the undeclared sector, specific regulations are in place in order to make it easier for a household to use a formal provider. These regulations can be associated with financial benefits given to consumers so as to stimulate the demand.

Two different employment models of service provision should be distinguished: on one side, workers who are directly recruited by private individuals or households to perform domestic tasks in their home (“direct employment model” based on bilateral relationships, the household being the employer); on the other side, workers who are employed by an organisation (private or public, for-profit or not) selling the services to households (“employment in service provider organisations” model based on trilateral/triangular relationships, in which the household is not the employer). The former model dominates in Southern countries while the latter model is almost the only one existing in Northern countries and Belgium. France lies in between with a prevalence of the former model. Recent housework service reforms have encouraged direct employment by households in countries like Germany or Austria.

The great variety in national definitions of personal and household services immediately results in major difficulties in measuring the size and extent of this sector.

One can rely on the two following NACE categories. On one hand, workers directly employed by households have their own statistical category (NACE 97). There were 2.6 million such workers in the EU in 2011. This category has higher employment rates (over 2%) in Southern countries (Cyprus, Spain, Italy, Portugal) as well as France and Luxembourg. On the other hand, employment in service provider organisations is much harder to locate and measure. Care activities are ranged under the category “social work without accommodation” (NACE 88) but non-care activities are scattered into many different categories, depending on the nature of the activity (for example, cleaning aligned with cleaning industry or private lessons grouped with education). In 2011 there were around 4.8 million workers employed in “social work activities without accommodation”. Countries with the higher employment rates in this sector (over 3%) are Scandinavian and North-Western countries.

Furthermore, according to national estimates, undeclared work can represent up to 70% of the sector in countries like Spain or Italy and even 90% in Germany. A special Eurobarometer emphasised the fact that in 2007 17% of buyers of household services resorted to undeclared labour.

Policy context

Different public policy tools have been implemented, aiming at encouraging formal employment and discouraging undeclared work. Public tools can be grouped into four categories, according to the main objective followed:

- Reducing the price
- Simplification of procedures through vouchers
- New regulation on employment
- Fostering the emergence of a supply side.

Reducing the final price for households has been the first goal of many public policies. A key element in households' behaviour is the difference between the average price of declared services and undeclared services. According to different national studies, when prices diminish by 10%, the increase in demand will be between 5 and 15%. However, if prices and service affordability obviously play a major role in the decision to outsource services to external providers, non-economic parameters, like prevailing social norms regarding the role of women and the distribution of tasks within families, psychological barriers or attitudes towards domestic work, are also of paramount importance.

Reducing the price can be achieved through several mechanisms. First, through a reduction of the VAT rate; second, via the reduction of the cost of labour by means of exemptions from social contributions. Third, the price can also be reduced if a third party (other than the State) pays part of the price – this can be done by companies for instance who offer their employees access to personal services, but also by insurance companies or local authorities. Finally, the main tool used to diminish prices has been to introduce tax incentives. Tax deduction schemes have been introduced in some countries. In some countries (FR, DK, FI, SE, LU and HU in a short-lived attempt), the tax credit system relies on a large definition and applies to any purchase or recruitment corresponding to a list of agreed activities. The perimeter and scope will therefore vary according to the policy objectives. The tax deduction extends to 50% of expenses in FR and SE. Other countries have attached the benefit of tax reduction to the use of vouchers (BE, IT) or the introduction of specific employment contracts that today dominate PHS employment (like Mini-Jobs in DE).

Regarding simplification of procedures and the use of vouchers, in the case of “non-care” activities, the most advanced experiences in the EU seem to be located in France and Belgium. These countries have chosen very different approaches to develop a voucher system. The Belgian voucher relies on a fixed price and the list of authorised activities is strictly limited to housework, while in France vouchers can be used quite extensively also in order to pay for care services. The Belgian voucher can only be used towards registered companies while in France it is used by households as direct employers. It is important that by means of these vouchers or the advantages associated to them, the final price be much lower than the price on the black market – for having

not respected this, the Austrian “cheque” experience has failed. Some local/regional experiences can also be noted.

The regulation of employment and occasional work can either be carried out through the implementation of vouchers (like in Italy, with a range going from household services to agricultural casual work), specific programmes like Mini-Jobs in Germany or specific status for workers in housework activities like in the Netherlands. This approach is developed in countries that favour direct employment by households rather than triangular forms of employment by provider organisations. Employers are encouraged to rely on these new regulation which offer them some flexibility and financial advantages, which are sometimes linked to the employment of former jobseekers in the context of activation programmes. Through this specific regulation, households benefit from simplified administrative procedures for registering workers and the labour cost is reduced by means of social contribution exemptions. This can result in weaker rights for workers and an increase in precariousness. Spain has however reformed its former specific status for domestic workers so as to now put them on a same par as employees in other sectors.

All the above-mentioned tools act upon the demand side. More rarely, public policies might also try to foster the emergence of a formal supply side. On the one hand, like in France, this can mean encouraging entrepreneurship and the development of companies (be they for-profit or not-for-profit), and also improving the structure of the market. On the other hand, this can also take the form of supporting the emergence of an individual formal supply side by immigration measures, as in Italy or Spain. Both these countries are characterised by a large share of informal immigrant workers in personal and household services. Regularisation measures can result in an improvement in their working conditions, compared to an illegal situation.

Key findings

The report has concentrated on the impact of these measures in terms of job creation, taking into account the real cost for public authorities. These policies have all resulted in new formal jobs being created. In France, jobs created in PHS has represented between 15% and 30% of job creation during the period 2006-2008. Massive public investment has resulted in the creation of more than 330 000 jobs from 2005 to 2010. However this only represents 50 000 full-time jobs.

In Belgium, the successful introduction of the *Titres-services* voucher has led to the creation of more than 100 000 jobs since 2004. During the year 2011, 150 000 persons have worked under this voucher scheme. This represented around 56 000 full-time jobs.

Also quantitatively important is the German Mini-Jobs scheme that dominates employment in domestic services. There were

more than 240 000 “Mini-jobbers” working in private households in 2011.

In other countries like Finland or Sweden, tax deduction schemes have also resulted in the creation of respectively 1 000 and 4 000 full-time jobs in housework services (but more in renovation services).

Further, the impact of public policies on reducing the share of the black market in PHS has been analysed.

In France, it is estimated that two thirds of legally paid hours provide for a shift from the undeclared sector to the declared sector, as a result of the incentives given to households. The share of undeclared services has diminished from 50% in 1996 to 30% in 2005. In Finland tax incentives have reduced the share of undeclared jobs from 60% to 25% in 2004. In Sweden a drop by 10% of undeclared hours in cleaning services has been estimated. In Denmark, the suppression of a public scheme on home-based services has on the contrary resulted in a progression of undeclared services. Other surveys confirm this sensitivity of households’ consumption behaviour to public schemes.

It is important to know whether or not these policies are cost-efficient. In effect, these policies have proved to be quite costly

(e.g., the public expense is more than EUR 6 billion in France in 2009 and more than EUR 1.5 billion in Belgium in 2011). It is however necessary to go beyond a simple analysis of gross costs and therefore to take into account all the earn-back effects of these measures: on one hand, direct effects, like the decrease in unemployment benefits, new social contributions, new receipts on personal income tax, etc.; and on the other hand indirect effects, like new receipts on society tax, the impact on consumption from new workers, the indirect creation of new jobs like administrative jobs, or even social “avoided” costs. These indirect effects are much harder to capture than direct effects.

In Belgium when taking into account these earn-back effects, the real net cost for public finances is reduced by 45%. In some countries it is even estimated that the jobs created thanks to public measures would pay for themselves in full (Sweden) or even bring positive returns to the State (Finland, France). However the reliability of the surveys that have proposed these data can sometimes be questioned. It is indeed difficult to define an uncontroversial methodology. An additional difficulty is that there might exist a discrepancy between what institutions pay for the gross cost (generally the State through tax incentives) and what institutions receive as direct or indirect benefits (for instance social security systems through new receipts).

It is also possible to analyse the cost of each new job created, but here again it is hard to know whether the differences in results are due to the effective cost of the programmes or just to the methodologies used.

In Belgium, the net cost per worker in 2011 is estimated at EUR 3 500, a figure close to that estimated for Denmark (around EUR 4 500) when the home service scheme was implemented. In France, the net

cost by worker would be between EUR 9 000 and EUR 28 000 in 2007, a large difference that illustrates the difficulty in quantifying this. In Finland each new job created thanks to tax deduction (the methodology only takes into account new jobs that would not have existed in the absence of public intervention) is costly (more than EUR 31 000), but it is associated with positive returns for the State of almost EUR 4 000, according to one survey.

Alongside these efficiency considerations based on cost-benefit analyses, it is also important to take note of the redistributive impact of these public policies.

National materials show that tax incentives strongly benefit the highest-income households. Middle-class households may sometimes appear not enough “helped” by these mechanisms. As this report focuses on housework activities, redistributive aspects might be less important than in the field of care services where social policies can better target people in need and low-income families.

Policy pointers

Personal and household services have long been considered to have huge potential in terms of job creation.

Several drivers operate at the European level (in particular regarding the need for conciliation services) that support the development of this sector, and this also prevails when placing the focus only on housework services. Moreover, these activities are still mostly provided by means of informal arrangements and/or undeclared labour in many of the EU countries. This is also a driver for policy reform with an aim for public authorities of obtaining new receipts and also improving working conditions as undeclared labour puts workers in risky situations.

This potential for job creation is confirmed by the analysis of national data.

Public measures supporting the demand-side have resulted in new jobs. However, the quality and working conditions of these new jobs has been an issue of concern. In terms of working time, wages, working conditions, job security and other aspects, jobs in PHS are highly precarious. Employees’ rights can sometimes be reduced compared to standard contracts. This sector is sometimes thought of as being on the margin of the labour market. Policy measures should therefore incorporate tools for ensuring decent working conditions and basic workers rights.

One should also take into account the real net cost of policy interventions in the field of personal services.

Because of the job creation potential of this sector and the extent of undeclared labour, public intervention may prove necessary with the aim of reducing the face value of these services and thus making them competitive when compared with undeclared forms of labour. This is an investment which should be carefully scrutinised. As these measures are costly, it is important that a well-informed public debate should be based on the net cost and the earn-back effects of these measures. Further research at national and European levels in order to define better tools of assessment and reliable methodologies would be needed.

1. The development of PHS in the EU: behind different definitions and measurement difficulties, common trends for the Member States

1. The development of PHS in the EU: behind different definitions and measurement difficulties, common trends for the Member States

1.1. Defining personal and household services

In the 2012 Staff working document on personal and household services, the definition from the European Commission was as following:

“personal and household services’(PHS) cover a broad range of activities that contribute to well-being at home of families and individuals: child care (CC), long term care (LTC) for the elderly and for persons with disabilities, cleaning, remedial classes, home repairs, gardening, ICT support, etc.”⁽¹⁾.

This definition embraces both care activities and non-care activities.

In another note, the European Commission defined “personal services” as:

“regrouping all services which contribute to the greater well-being at home of the citizen: care services (child-care, home help, care of elderly people, etc.), cleaning, remedial class, home repairs (electricity, gardening, etc.) and maintenance (administrative and technology assistance)”⁽²⁾.

In its 2001 report on “employment in household services”, the European Foundation for the improvement of living and working conditions defined them as:

“all those services provided by public or private organisations, or by the third sector, which substitute paid work (in the form of a job or self-employment) for work which was formerly performed unwaged within the household. Therefore, all services provided inside and outside the home of the user are included, as long as they maintain and support members of a private household”⁽³⁾.

This report identified five sub-sectors of household services: childcare, care of the elderly, domestic cleaning (of the house, linen, clothes, etc.), catering, domestic maintenance and gardening.

⁽¹⁾ European Commission, Staff Working Document on exploiting the employment potential of the personal and household services, SWD (2012) 95 final.

⁽²⁾ European Commission, DG Employment, Social Affairs and Social Inclusion, Note on Personal Services, December 2011.

⁽³⁾ A. Cancedda, 2001, Employment in household services, Eurofound.

For the purpose of the present survey, however, **care services have been excluded**, in order to focus on what might be called “non-care activities”. This will more precisely lead us to analyse **housework activities** in the different countries of the EU.

Distinguishing between care and “non-care” activities is difficult, as the same activity, e.g. preparing meals or cleaning the house, can be considered as part of the overall care provided to a dependent person or could be considered a convenience or comfort services if the beneficiary is not in a frail situation. The state of the recipient of a personal service is therefore important and may contribute to defining the nature of the service. This is something fundamental that should be kept in mind when reviewing the development of personal and household services as well as the public policies in this field. In many countries, the needs of a dependent person are assessed by public actors. On this basis, he or she will benefit from a range of personal services, including for instance cleaning, transportation, preparation of meals, etc., alongside other health services (a nurse visiting at home, etc.). This range of care services will be partly or fully financed by the State or a local authority, and provided by different actors according to the welfare mix model (either by public servants, NGOs, companies, etc.). There, personal and household services fully participate in health and social policies and in a home care service sector that is rapidly growing in Europe, through different models or regimes⁽⁴⁾. In comparison to these services considered as part of domiciliary care policies, the same activities (e.g., cleaning, preparing meals, etc.) can be purchased on the market just as any other service, without the intervention of any social policy. As a result, this raises a difficulty in the analysis of the drivers of the development of the sector, as it is necessary to distinguish between what results from the development of care policies in the different countries, and what results from a more general economic impulse given to the market through several advantages given to purchasers.

One can say that the category of “Personal and household services” is in fact unclear, as it covers different issues in terms of public policies. This category is neither a commonly used category throughout Europe nor a well-delimited statistical sector. This complexity may also arise from the objectives followed by public policies in the Member States, which may concentrate on the housework sector only on one side, or on

⁽⁴⁾ F. Degrave, M. Nyssens, 2012, Care regimes on the move. Comparing home care for dependent older people in Belgium, England, Germany, Italy. Report for MiRe – DREES, French Ministry of Health.

care policies on another side (childcare only, or eldercare only for instance), or embrace these different activities in one single global policy⁽⁵⁾. Another difficulty, as will be seen later, is that there is no common statistical category or nomenclature that fits into this broad concept.

Precision on the scope of the study

In this survey we will focus on housework services, **excluding care services and their governance** (long-term care as well as childcare systems). We are fully aware of the limits of this methodological and theoretical choice; however though many surveys and reports have been written on the development of (long-term) care policies, very few directly relate to the development of the activities covered here, that is those contributing to the greater well-being at home of the families and individuals such as cleaning, ironing, meal preparation, home repairs, maintenance, gardening, private lessons, etc⁽⁶⁾. The issue of which services fall into this scope or perimeter is obviously a matter of debate and is attached to different national approaches, as seen in the next paragraphs.

National concepts and definitions: The role of public policies in defining the sector of personal and household services

It is difficult to detach the sector of personal and household services from the public policies that operate in the field. This is why any presentation of the sector has to be placed in different national legal and policy environment. In several countries, the sector of personal and household services has been defined through the implementation of public instruments such as tax incentives or vouchers, the use of which is limited to a list of home-based activities. And it is against this that the legislator defines what can be called a sector of personal and household services.

In a first group of countries, the sector has been defined through a list of activities giving advantages to consumers. In **Belgium**, the definition of personal services, or “proximity services” as they are sometimes called, is attached to the successful implementation, since 2004, of a voucher for housework activities (*titre-services*). *Titres-services* may be used exclusively for housework carried out within or outside the user’s home. The list includes in particular the following activities: cleaning the house, washing, ironing, preparation of meals, shopping, etc. Care of dependent people is excluded, except for accompanying persons with restricted mobility requiring transportation. However, nothing prevents a dependent person from benefitting from the services mentioned above (for instance

⁽⁵⁾ E. Kvist, 2012, Changing social organizations of care: a comparison of European policy reforms encouraging paid domestic work. *Eur J Ageing*, 9:111–117.

⁽⁶⁾ Specifications of the tender No VT/2012/026.

cleaning the house) under the *titres-services* system, when this complements another type of care support. Another type of voucher (*chèque ALE*) has a much larger scope (but is far much less quantitatively successful and will soon be discontinued) as it includes for instance childcare or gardening.

In **France**, a large development plan of the sector was launched in 2005, embracing both care and non-care services. It relies on a series of measures that had been implemented since the beginning of the 1990s, a time when public policies started to invest in this sector (also named “proximity services”) because of its job creation potential. The perimeter of these activities, today named “personal services” (*services à la personne*), is now legally defined, as the purchase of these activities opens access to certain benefits for consumers, mainly in the form of tax reduction. According to the Labour Code, personal services concern the following activities: childcare; care of older people, disabled persons or persons needing personal help in their home or mobility help in their close environment with the aim of fostering their home support; housework and family assistance. More precisely there are now 25 activities falling within this category. As far as housework and family assistance is concerned, authorised activities range from private lessons to IT support, and also include cleaning, gardening, meal delivery, handyman tasks, etc. Vouchers can be used to purchase these different services. All of these activities mentioned in the Labour code entitle the user to a tax deduction or a tax credit. As a result the word “*services à la personne*” in France can be applied to a very large and heterogeneous list of activities, much larger than in Belgium as it includes care work.

In **Denmark**, “home services” were targeted by a specific scheme in the early 1990s (“home service scheme” or *Hjemmeserviceordningen*). This financial incentive was available for the following activities: garden work, snow clearance, shopping for daily goods, cooking, cleaning, laundry and window cleaning; later, services like taking animals for a walk were added. Though these public policies were open to any household at its creation, its scope has been progressively reduced and it is now limited to older people only.

In **Finland** as well, the scope of personal services is that of the tax deduction for household work (*kotitalousvähennyksen*). The scheme was created in 1997 and is still active today. The tax credit can be granted against paid costs for household work, care-giving and day-care work in the home, and also for repair work in the home or at a leisure house, and IT services since 2009.

In **Sweden**, personal services are considered under two tax incentives schemes, namely RUT and ROT, created in 2007 and very much inspired by the Finnish experience. RUT stands for “*Rengöring, underhåll och tvätt*” (cleaning, maintenance, servicing) and include most of the housework that can be done at home, i.e. cleaning, cooking, clothes care, but also snow removal, lawn mowing and childcare. ROT stands

for “*Reparation, Ombyggnad, Tillbyggnad*” and is actually a collection term for measures to renovate and upgrade existing buildings, mostly residential. In a 2009 report⁽⁷⁾, Almega – the employer and trade organisation for the Swedish service sector – proposed complementing RUT and ROT reductions with a tax credit for IT services in the home (possibly called RIT). Services for dependent persons are rarely covered by the RUT-deduction, unlike the situation in other countries such as France. These services are generally provided by local authorities in the context of a Beveridgean social model with universal benefits paid on taxes.

Very interestingly then, in Finland and Sweden, the scope of “home services” includes two types of activities that can be provided directly at the households’ homes: housework services (care services being included only in Finland, but not in Sweden) and renovation services. It should however be noted that in the case of France for instance, renovation services are also the object of public policies with other tools (a reduced VAT rate) being used, that also result in a reduction of the price for the consumer.

In **Luxembourg** finally, there is a tax reduction for households that employ housework personnel or purchase services on the market. This tax reduction is limited to the following activities: cleaning/housekeeper, childcare and care services for dependent persons.

In other countries, the sector is not defined on the basis of such public schemes aimed at developing the sector, but rather on the basis of specific regulations concerning work and employment. In the **Netherlands**, the most recent regulation in place concerns housework and home services (*Regeling dienstverlening aan huis*) and was preceded by regulations on employment in housework and cleaning services (*Regeling Schoonmaakdiensten Particulieren*) and on exempt domestic workers (*Regeling vrijgesteld huispersoneel*). The regulation concerns the employment contract between the user and the provider of the housework service, which typically includes jobs in the household such as cooking, cleaning dishes, house cleaning, doing the laundry, shopping, small repair and maintenance jobs in and around the house, childcare, driving and gardening.

Similar regulation exists in **Italy** concerning the work of housework employees (“*colf*” standing for *collaboratore/trice familiare*). A voucher system (*buoni lavoro*) has been implemented with a yet much broader scope. Whereas in France or Belgium the objectives behind the introduction of a voucher were to foster demand and reduce undeclared employment in a well-defined field of personal and household services, in Italy the scope was not fixed in sectorial terms but rather regarding casual work or occasional activities (“*prestazioni*

di lavoro occasionale accessorio”), i.e. professional activities characterised by an occasional and accessory nature that cannot be traced back to standard employment relationships⁽⁸⁾. As a result, the voucher applies to a very large panel of activities, from personal services (which was the initial idea when the scheme was created) to agricultural activities, for instance. For this reason it cannot be strictly considered as a tool in the field of personal and household services, which remains rather undefined, though housework is well regulated.

Though no legal definition of household related personal services in **Germany** exists, the term has been defined quite concretely in tax-related law. Instructions in the relevant paragraph point to this lack of a legal definition and provide a description of what should or could be treated as household related services. A job in the “household related services” sector is a job which has a strong relationship to the respective household. It may concern housework services such as cleaning, domestic laundry or gardening as well as smaller repairs and maintenance services, or housework personal related services such as care for elderly dependent persons, disabled people, or children. Housework services also are characterised by the fact that they are conducted by external providers/persons in support for work within and for the private household. In **Austria**, similarly to Germany, there is no precise definition. The sector is rather conceived of with a focus on care provision.

In **Spain**, there is currently no legal definition of the sector. However the notions “*servicios de proximidad*”, “*servicios a la persona*” or “*servicios domesticos*” are increasingly used in the public debate, as the issue of conciliation has gained in importance alongside the strong increase of female participation over the last years. The “Spanish Personal Services Association” (AESP), which is promoting the development of the sector, has proposed a definition very much inspired by the French system.

In **Hungary**, there is relevant legislation on household services, in place since 2010, included in a more general law. According to the 2010 Act XC, only activities related to providing all the necessary conditions of everyday life for natural persons and other persons living in their households are considered to be household work. The act lists personal household services as follows: house cleaning, cooking, laundry, babysitting, home pupil teaching, home care and nursing, housekeeping, gardening.

In other countries like the **UK**, there is no clear definition for personal and household services. Until today, relatively little attention has been paid to the personal and household service sector in the UK.

A first conclusion that emanates from this comparison of legal definitions is that European countries rely on very different

(7) Almega, “RUT, ROT, RIT – nya jobb och företag i lågkonjunkturen”, 2009. <http://www.almega.se/politik-och-ekonomi/rapporter/rut-rot-rit-nya-jobb-och-foretag-i-lagkonjunkturen>

(8) A.-M. Sansoni, 2009, Limits and potential of the use of vouchers for personal services. An evaluation of *titres-services* in Belgium and the CESU in France. European Trade Union Institute, Working Paper 2009.06.

approaches in this field. These differences are linked to the objectives of public policies and their choices in terms of targeting specific activities (see table below). Some definitions will then appear rather restricted and concentrated on domestic chores, while others will be more open, for instance as in France or Finland, where the sector of personal and household services

(and the corresponding public support) goes from cleaning to care for the elderly and also include activities such as IT support in the home. France has included domiciliary class (private lessons) support to create incentives for households to declare this generally undeclared service, while Sweden or Finland have included home renovation in the list of home services.

Scope of PHS as related to public policy instruments

	BE	DE	DK	FI	FR	HU	IT	NL	SE	SP	UK
Main public scheme	<i>Titres services</i>	<i>Mini-jobs</i>	Financial incentive <i>Service-fragdag</i>	Tax deduction	Tax deduction	Act XC	Buoni Lavoro	Regulation on home services	Tax deduction (RIT, ROT)	-	-
Cleaning	X	X	X	X	X	X	X	X	X	No precise definition	
Gardening	X	X	X	X	X	X	X	X	X		
Cooking, meal preparation	X	X	X	X	X	X	X	X	X		
Domiciliary private tuition					X	X	X				
IT support				X	X						
Small repairs		X			X			X	X		
Renovation services				X					X		

1.2. Measurement difficulties linked to the imprecise definition of the sector

The great variability in the national definitions of personal and household services immediately results in major difficulties in measuring the size and extent of this sector. It is indeed very difficult, if not impossible, to compare the situation in the different countries on the basis of homogeneous and reliable data.

We will rely in this part on two statistical categories drawn on international nomenclatures of activities (NACE codes). As it appears, these categories have a perimeter that is quite different from the definitions seen above. How can the precise situation in France or Belgium be compared with that of Sweden where renovation services are included, or with that in Spain or the UK where no “official” definition exists? Moreover, already at national level, the situation can be very difficult to analyse if not to measure. Regarding the situation of a country like France, some authors have emphasised the fact that “personal services” as defined by the law is an “unmeasurable” sector and even a “statistical anti-reality”, because it does not fit with any of the statistical categories available⁽⁹⁾.

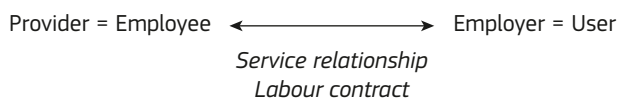
Two complementary models of employment, that result in two large statistical nomenclatures

There are two complementary models of employment in the field of personal and household services: workers who are directly recruited by private individuals or households to perform domestic tasks in their home, and workers who are employed by an organisation (private or public, for profit or not) which sells the services to households, who are the purchasers. This “duality” of models impacts the way the sector is measured (in particular the quantification of employment) and has also many other impacts on the regulation of employment and on working conditions (i.e., the quality of employment). On the one hand, direct employment is characterised by a bilateral relationship between the user (who is also the employer) and the worker. On the other hand, there is an “intermediated” or triangular form of employment, whereby the worker is employed by a company who sells services on the market or by an organisation providing the service (e.g. a public organisation); the beneficiary of the service simply buys this service on the market or receives the service from public policies (Graph below)⁽¹⁰⁾.

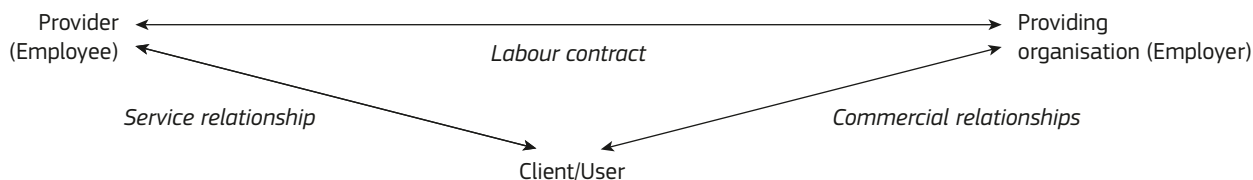
⁽⁹⁾ Devetter et al, 2008.

⁽¹⁰⁾ See J. Gadrey, 2003, *Socioéconomie des services*, Paris: La Découverte.

The bilateral relationship (or “direct employment” relation): households as direct employers



The triangular relationship: Employment in service providers’ organisations



These two “models” are differently developed and regulated in European countries. As shown by Elen Kvist, in some countries like **Denmark, Finland, Sweden and Belgium**, personal services are always purchased through companies or self-employed persons, which technically makes households service purchasers, not employers. **In Austria, France and Germany**, the housework service reforms are partly motivated as a way for private households to employ individuals to do housework in homes⁽¹¹⁾. Also in **Southern countries**, recent reforms have placed the focus on what can be called a family-as-employer model. “In these cases,” Kvist writes, “the domestic service reforms could be seen as part of a transition of unpaid domestic work/informal employment in private homes to paid domestic work, a transition that could be described as developing from unpaid domestic work mainly performed by women or by persons with informal employment, to paid domestic work performed in the home”⁽¹²⁾. These reforms may result in specific arrangements for “direct” employment regulation.

Workers directly employed by households as appraised by NACE nomenclature

On one hand, with regard to workers directly employed by households, it appears that data are quite homogeneous and comparable. The fact is that this model of employment relies on a long tradition, which has its roots in former models of “servants” being employed by households. But the concept of households as employers of housework personnel is in a process of change. It has moved from the traditional maid employed by a wealthy family to a large range of services (cleaning, gardening, repair, child-minders at the client’s home, private lessons etc.) used by a large part of the population. In addition, with the growing use of tools such as vouchers (see later), we are some distance from the traditional pattern of housework. This model of employment has its own statistical **NACE category (97)** (see Annex 1 for details⁽¹³⁾).

Employment in service providers organisations: a much more difficult appraisal on the basis of the NACE nomenclatures

On the other hand, employment in service provider organisations is much harder to locate and measure, because these organisations come from different professional fields and may have a plurality of activities. Most often, these organisations are located in the field of social work activities without accommodation and are ranged under the **category 88 of NACE Rev. 2**.

As the box in Annex 2 shows⁽¹⁴⁾, the services considered here are only “care” services provided to older people or disabled people, as well as childcare activities. The other activities mentioned here that are dedicated to any individual or family fall in a very restricted scope (budget guidance, support for disaster victims, etc.).

The fact is that, when searching for home-based personal and household services, one has to navigate between all the other statistical categories (other than the two above-mentioned categories), depending on the nature of service. This is what is explained at the end of the nomenclature details on households as employers (see Annex 1⁽¹⁵⁾): “This class excludes provision of services such as cooking, gardening etc. by independent service providers (companies or individuals), see according to type of service”.

As a result, data are imprecise because home-based activities will be mixed with other activities. For instance, cleaning houses or apartments will fall under NACE 81.21 (General cleaning of buildings) are being mixed with cleaning offices or factories, which is a different type of activity. Private lessons for pupils would be located within NACE 85.59 (Other education not elsewhere classified) but mixed with other forms of instruction not made at home. Further, it is fairly hard to identify home-based providers of personal services such as hairdresser or gardening.

⁽¹¹⁾ Kvist, op. cit.

⁽¹²⁾ Id.

⁽¹³⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92> (under “Related documents”).

⁽¹⁴⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92>

⁽¹⁵⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92>

As a result, if one can have a clear overview of both the “direct employment” sector and the home-care sector, it is fairly difficult to gain such a picture for employment in service provider organisations that do not work specifically for older or disabled persons.

The following subsection gives an overview of the evolution of employment in these two categories.

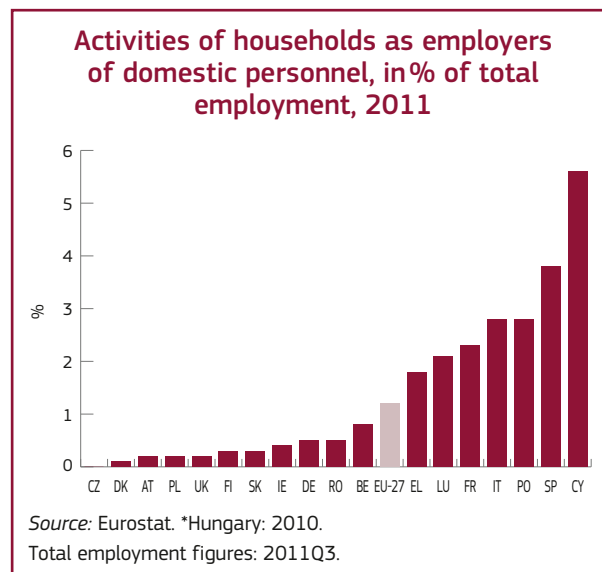
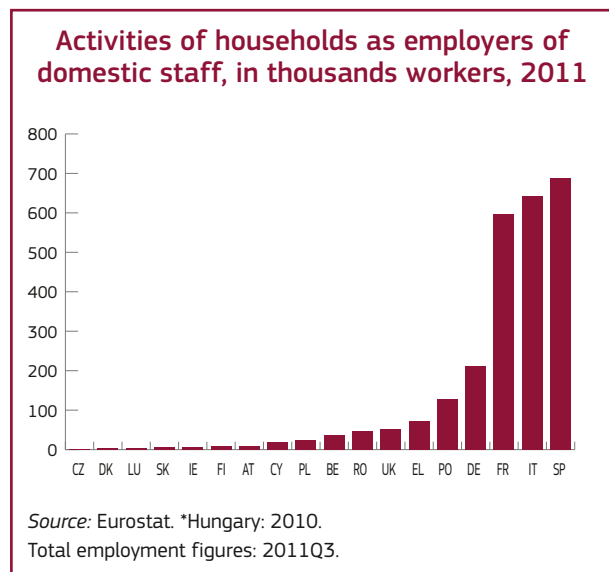
1.3. A comparison of employment in the EU-27 on the basis of two NACE codes

Households as employer of domestic personnel

In 2011 according to Eurostat figures, there were almost **2.6 million workers** (in full-time equivalents) recruited to perform domestic tasks (NACE 97). Three countries actually

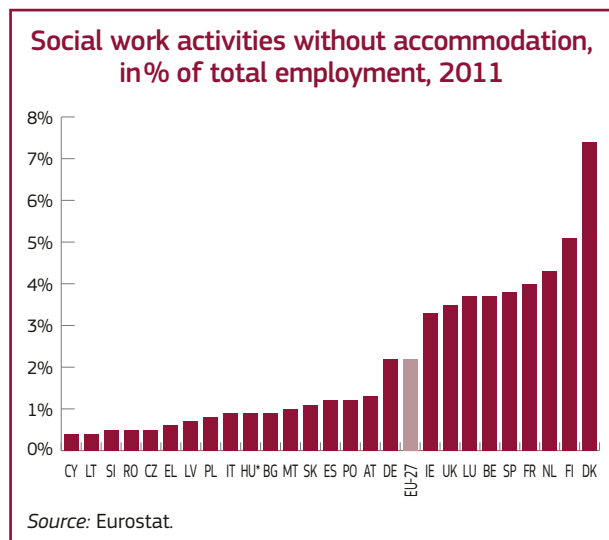
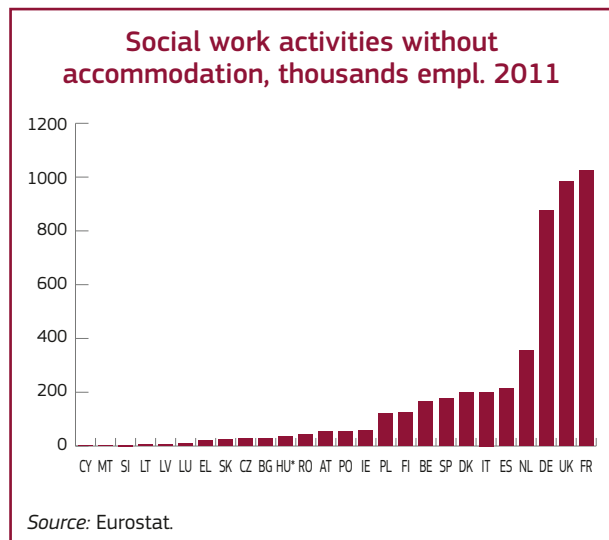
are far above the others in terms of numbers of these workers, with around 600 000 workers or more: France, Italy and Spain. Then Germany and Portugal follow.

It is however necessary to think in terms of the sectoral employment rate. Doing so, we can observe that this sector is very much developed in Cyprus, with nearly 6% of employment, followed by a group of Southern countries (Spain, Italy, Portugal), then France and Luxembourg. This group of countries constitutes a model that can be qualified as a “family-as-employer” model. In the Southern countries, the high share of employment by direct households is enshrined in a familialistic Welfare State relying on family-based care rather than provision of services. In these countries, the implementation of specific regulations linked to immigration policies (in Spain and Italy) resulted in the “formalisation” of many informal domestic jobs within the family. In other countries like France or Luxembourg, the success of this model is linked to advantageous fiscal incentives when households employ domestic personnel (since 1991 in France) and also a high standard of living of the households concerned.



Social work activities without accommodation

According to Eurostat figures, in 2011 there were around **4.8 million workers** employed in “social work activities without accommodation” (NACE 88, i.e. excluding residential care activities).



Reporting these figures on total employment, one can see that there are **two groups of countries** where social work activities without accommodation represent a larger part of employment. In Scandinavian countries (**Denmark, Finland** and to a lesser extent **Sweden**) this sector represents an important share of the people employed, this being due to a long tradition of institutional welfare provision. Then a second group of North-Western countries including the **Netherlands, France, Belgium, Luxembourg, UK and Ireland** is above the EU average and has a share of people employed in the sector of between 3.3% and 4.3%.

Several national configurations when comparing the two categories

When comparing the employment rates in the two sectors, one can devise several configurations. The next graph reports employment rates in the “direct employment” sector (horizontal axis) and in the “service provider company” sector (vertical axis). Unfortunately not all the countries can be reported in the graph because of missing data. Nevertheless one can observe:

- A group of Southern countries where employment **within families is the dominant model**: Cyprus, Spain, Portugal, Italy and Greece
- A group of countries where **employment in providing organisations dominates** is constituted of Scandinavian countries (Denmark, Finland), Anglo-Saxon countries (UK and Ireland) and Belgium.
- A group of two countries where the development of both sectors is much more developed than average: France and Luxembourg, representing a sort of **“mixed” model**.
- A group of countries in Central and Eastern countries where **both sectors are less developed** than the European average.

Comparison of employment rates in two sectors of personal and household services, 2011



Source: Eurostat.

To conclude on these first elements, Eurostat figures prove to be very interesting because of their homogeneous and comparable character. As national definitions of personal and household services differ, it is necessary to consider one single convention of measure that can be used across borders. Already different national configurations or models can be identified with these figures, as the typology just proposed indicates. These models need to be analysed more deeply regarding the public policies implemented, their objectives and tools. Further, one can see from the previous picture that there is considerable scope to develop employment in personal and household services in several countries where employment rates are still low. Granted, these figures concern formal employment rates and in most countries, personal and household services are mainly provided through informal arrangements. One major challenge in this context is of course to transform undeclared work into declared employment, which will be explored in the next section.

1.4. The challenge of transforming undeclared work into formal employment

The high level of undeclared work in the sector of personal services is certainly the first driver for the implementation of public policies. For public authorities, undeclared work represents a loss in social contributions and tax payments, while for undeclared workers this often means disadvantageous working conditions and absence of social security. Further, the ILO recently has addressed the issue of undeclared work and working conditions in the segment

of domestic work by the Domestic Workers Convention in 2011⁽¹⁶⁾.

By nature, undeclared work is difficult, if not impossible, to measure. However, surveys might offer first elements of appraisal. In 2007, a special Eurobarometer was launched on the topic, based on a direct survey with interviews with 26 755 EU citizens aged 15 and older living in the 27 EU Member States⁽¹⁷⁾. According to the survey, 11% of the EU-27 population admitted that they have bought goods or services connected with undeclared work. Among them, 17% of buyers said they bought household services (e.g. gardening, house cleaning, child and elderly care) and 8% personal services (e.g. hairdressing or private teaching), which represents 7.7 million and 3.5 million individuals respectively.

These figures were analysed by the European Commission's 2012 Staff Working Document on the job potential of personal and household services. The European Commission writes:

"If we take these figures into account and factor in that we have more or less 410 million individuals aged 15 years or older in Europe, it is possible to conclude that 45.1 million people used undeclared work. Since undeclared workers do not typically work full-time, the potential number of undeclared workers in the household services is estimated at 1 million. This is

⁽¹⁶⁾ "Domestic Workers Conventions" (No. 189). See also the accompanying recommendation No. 201 that also was adopted in 2011 and the recent comparative survey on domestic work: ILO 2013: Domestic workers across the world: Global and regional statistics and the extent of legal protection, Geneva.

⁽¹⁷⁾ Eurobarometer, "Undeclared work in the European Union", n° 284, October 2007. The definition of undeclared work was not restricted to work carried out for money but also comprised work done in return for payment in kind.

Estimation of undeclared work in personal and household services (care services included)

Country	Share of undeclared work, estimation	Source(¹) Comments
Germany	45%	DGCIS
	90-95%	IWAK report
	80%	Own estimation on the basis of various German research studies
Italy	70%	DGCIS
	40%	ISTAT in Kergueris
Spain	70%	DGCIS, data drawn from Spanish Personal Service Association
UK	50%	DGCIS
The Netherlands	40%	DGCIS
	28%	SEOR (2004)
France	30%	DGCIS
Belgium	30%	
Sweden	15%	

(¹) Sources: IWAK, op. cit.; DGCIS, op. cit.; J. Kergueris, 2010, Rapport d'information sur l'avenir des services à la personne (Information report on the future of personal services), French Senate – see its Annex on international comparisons <http://www.senat.fr/rap/r09-589/r09-58933.html>; SEOR, 2004, Erasmus Universiteit Rotterdam, De markt voor persoonlijke dienstverlening, December.

a conservative estimate taking into account the probability of under-reporting in surveys on undeclared work”⁽¹⁸⁾.

This Staff Working Document also gives additional data on the relative importance of undeclared work, showing that the situation might exceed the projections based on the results of the Eurobarometer. It is indeed reported in this document that Germany is one of the Member States with the highest level of informal employment in private homes as it is assumed that 90-95% of these activities in private homes are provided informally⁽¹⁹⁾. In its Staff Working Document the Commission also mentions the large share of informal employment in private households in Italy, in particular due to the presence of migrant care workers (known as “*badanti*”), a number estimated between 0.7 and 1 million, which is far higher than the workers in the formal care sector⁽²⁰⁾.

A comparative report prepared by the French Ministry of Industry (DGCIS)⁽²¹⁾ gives complementary data. The share of undeclared employment in the sector of personal and household services (including care and in particular childcare) is estimated to reach 70% in Italy and Spain, 50% in the UK, 45% in Germany; 40% in the Netherlands; 30% in France and Belgium and 15% in Sweden.

⁽¹⁸⁾ European Commission Staff Working Document, op. cit.

⁽¹⁹⁾ Data reported in the Staff working document, drawn on IWAK, 2012, Creating Formal Employment Relationships in the Domestic Services Sector: Successful Strategies? Insights from the Project “Labour Market Measures for Reducing Illegal Employment in Private Households of the Elderly” supported by DG Employment, Social Affairs and Inclusion, <http://www.iwak-frankfurt.de/documents/brochure/april2011.pdf>.

⁽²⁰⁾ Id.

⁽²¹⁾ DGCIS, French Ministry of Economy and Industry, 2011 (“Competitiveness, Industry and Services General Direction”), Etude sur les services à la personne dans sept pays européens (Study on personal services in seven European countries), November.

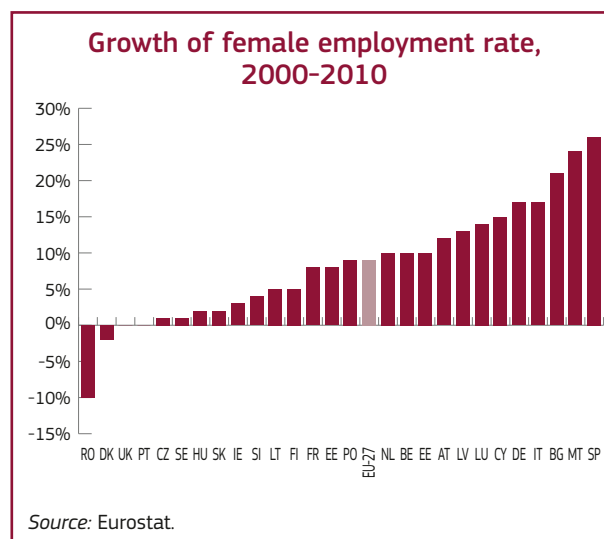
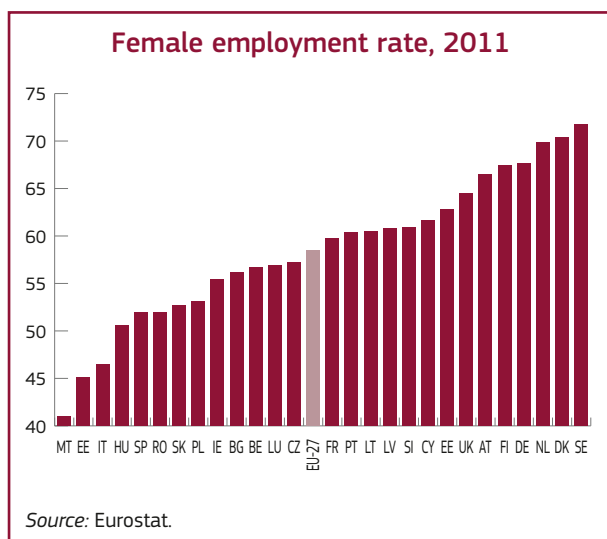
This table gives a first overview of the scale of undeclared work in several countries. Later in the report, when analysing the public policies implemented to support the creation of formal jobs in the personal and household services (PHS) sector, more detailed data will be given, offering a rather dynamic approach to this issue (that is, asking to what extent undeclared work has been reduced and what tools were the most efficient for this).

1.5. Trends and drivers of personal services’ expansion and job creation

Previous research has emphasised the fact that many Member States are moving towards a “society of personal or relational services”⁽²²⁾. The trends and drivers behind this have already been examined in a series of analyses, the most often with a special focus on care needs and related services. At a general level, the **increase in women’s participation** is the main driver. From 2000 to 2010, the average growth of female employment has been equal to 9% at the EU-27 level. The countries with the largest increases were those with low employment rates for women (Spain, Malta, Bulgaria, Italy) but also Germany, where the rate increased by 17% over the decade, from 58% to nearly 68% today. However, in Germany, the overwhelming majority of women work part-time and there has been little change during the past decade⁽²³⁾. It is indeed necessary to take into account the type of jobs that constitute this employment rate. This rate is actually blind to the part-time character of employment.

⁽²²⁾ Farvaque N., J.-P. Yonnet (dir.), Job Creation in Innovative Relational Services. The Case of Services to Private Individuals in Europe, Lille: ORSEU, Final report for the European Commission, IRS project, March 2007. <http://orseu.com/re/pdf/1317.pdf>

⁽²³⁾ European Commission: Reconciliation of work and private life – A comparative review of thirty European countries. Luxembourg, 2005.



The increase in female activity rates is a driver for outsourcing several housework tasks and creates a demand for personal and household services. This is due to the fact that women in most countries still have the highest share of the “housework” burden on their shoulders, because of an unequal division of work at home. In Germany, the index for domestic work (InhA)⁽²⁴⁾ clearly shows that in couple households with children under 7 years old, women account for 75% (West Germany, 71% in East Germany) of overall childcare. For couples with the same employment situation, participation of fathers is the highest.

A concrete national illustration of this driver is developed by a 2004 Dutch survey, which estimated that an increase of one percentage point in the number of working women between 25 and 45 years leads to an increase in demand for housework help by 0.58 of a percentage point⁽²⁵⁾. In other words, it can be estimated that in the Netherlands, an increase in the number of working women equal to 10 000 would provide an additional demand for housework help of 11 600 hours per week. However, if there are no or few public tools available to transform this need into formal jobs (as was the case in the Netherlands at the time of this study), this additional demand is expected to occur mainly in the informal market.

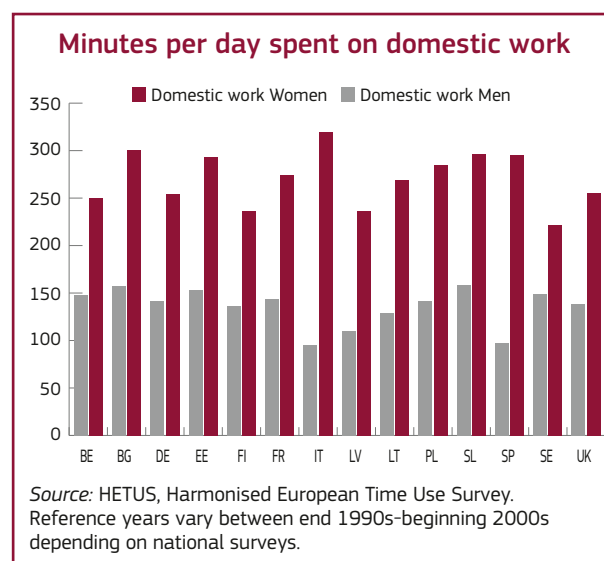
However as UK data show, despite a significant increase in female full-time employment from the 1980s until today, studies suggest that women continue to spend more time on household and care responsibilities compared with men (See Graph in Annex 2⁽²⁶⁾).

⁽²⁴⁾ Relation between domestic work, measured in hours, done by the women to the men within one household.

⁽²⁵⁾ Tijdens, K., H. Maassen van den Brink, M. Noom en W. Groot, *Arbeid en Zorg, Maatschappelijke effecten van strategieën van huishoudens om betaalde arbeid en zorg te combineren*, onderzoek uitgevoerd door de Stichting voor Economisch Onderzoek, Universiteit Amsterdam, OSA Werk Document W124, Den Haag, december 1994. Mentioned in Van Nes et al. (2004) p. 31.

⁽²⁶⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typeld=92>

The following graph drawn on the European Time Use Survey clearly shows the unequal distribution of these tasks within couples. Women generally spend twice as more time as men on domestic work according to this survey. The time spent by women is on average is between 200 and 300 minutes per day, that is more than 3 hours.



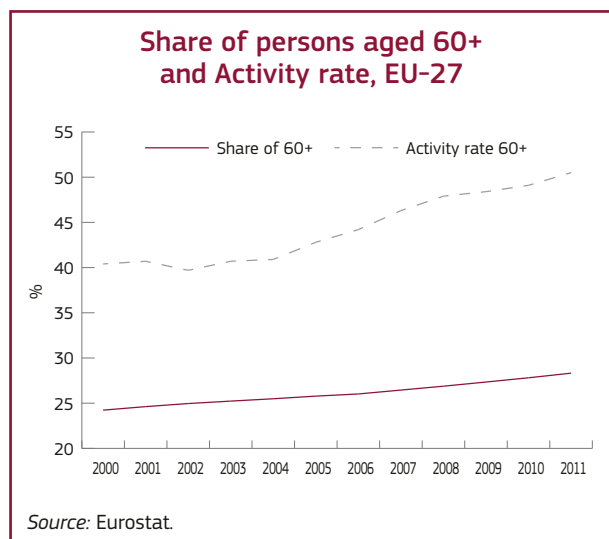
Nevertheless, a recent Swedish survey shows that the time dedicated to housework decreases for women. In 2011, they have “won” in average 46 minutes on domestic chores since 1990 and 14 minutes since 2000. Men are not really concerned by this time gain; on the contrary, those who exercise some form of care for their own children spend 18 minutes more per day, compared to 2000, dedicated to these tasks (Annex 2⁽²⁷⁾).

⁽²⁷⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typeld=92>

These different examples show that though the increase in female participation is certainly a global driver for the development of personal and household services, the still prevailing unequal repartition of housework within households obviously serves as a brake on this.

It is also important here to take notice of the fact that female activity is correlated with the level of education and indeed the level of income, which are in themselves other drivers for outsourcing housework activities⁽²⁸⁾.

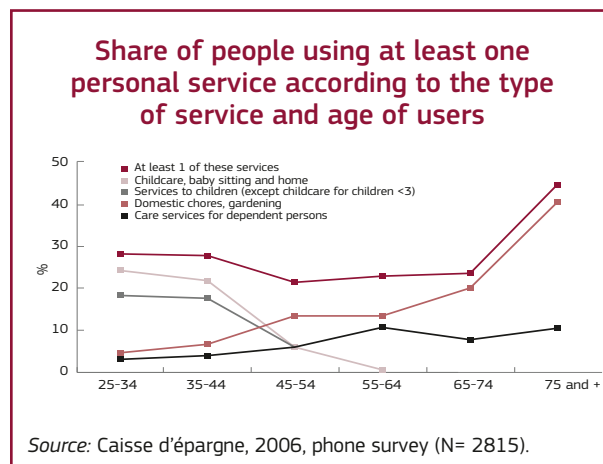
Other macro-social trends are pushing in the same direction, including: the ageing of the population; the “defamilisation” of providing care; and higher standards of living that increase the demand for personal services in the middle class. Among these trends, **the ageing of the population** is a well-known phenomenon that has been extensively analysed in studies focussing on long-term care services for the elderly. It is not necessary to recall here figures concerning the evolution of the share of the people aged 60 and over in the coming years, or the significant increase in the dependency ratio that is expected for the next decades. Another element that may, however, worth noting is the increase in the **activity rate of persons aged 60 or over** (see graph below), which might also be a driver for needs in personal services, in particular in the field of work-life balance. The longer people stay in activity, the more external services they might need for their home. This driver can be linked with two others: on one hand, an increase in incomes with age, that makes these services more affordable; and on the other hand, a decrease in physical capacity to perform these tasks by oneself.



The consumption of personal services indeed grows with age, in particular domestic chores and of course care of frail persons. It is possible to think of a sort of “life cycle” of PHS

⁽²⁸⁾ C. Gallouj, *L'économie des services à la personne*, Paris, Wolters Kluwer 2008.

consumption⁽²⁹⁾. The following results from a French survey can illustrate this⁽³⁰⁾. The demand from people under 45 is rather based on services relating to children (care but also homework assistance, etc.), while after 45 the share of housework chores increases. After 75, recourse to personal services cannot be explained solely by needs due to dependency.



Another result of this survey is that older people living alone tend to resort more than average to personal services. Housework chores (cleaning, etc.) are needs that rank in first place, followed by shop delivery and meal delivery. The survey does not include care and health services such as helping people to wash. (see end of Annex 3⁽³¹⁾).

What these results suggest is that it is important to distinguish between the *knowledge, expertise or competencies* of the households (the fact that they know – or do not know – how to carry out a service), their *capacity* to perform the service (in particular whether they are they physically able to do it) and their *will* to carry out particular tasks (this depends on many factors such as the existence of constraints and also incentives to outsource tasks).

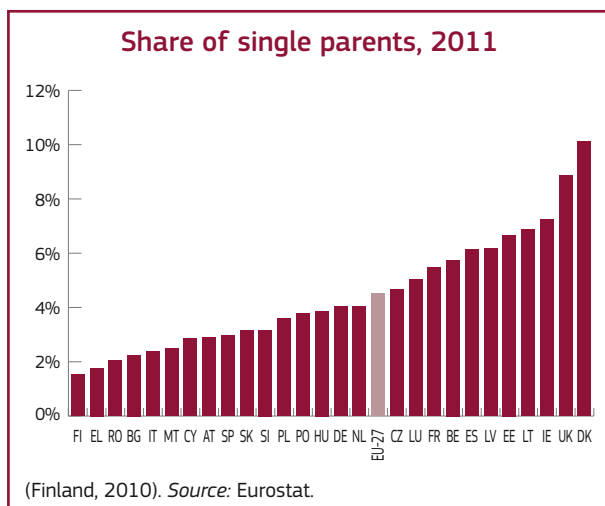
The evolving composition of households can also be cited as a driver, in terms of the presence of children or not and the size of households as well. One can compare countries regarding their **family structure**, distinguishing notably between Scandinavian countries (small households, particularly single-adult and lone-parent households, early residential independence for young people and extended residential independence for elderly people), Southern European countries (relatively low levels of non-marital cohabitation, extended co-residence between parents and their adult children, elderly people living with their adult offspring, a much lower incidence of lone-parent families, much larger household sizes), North-Western countries are situated in between these

⁽²⁹⁾ E. Archambault, 1987, *The family and dynamics of personal services*, *The Service Industries Journal*, 7(4). Mentioned by Gallouj, op cit.

⁽³⁰⁾ Observatoire Caisse d'Epargne, *Services à la personne: modes de vie, modes d'emploi*, 2006.

⁽³¹⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92>

two sides⁽³²⁾. As the tables in Annex 3 show⁽³³⁾, there is a high **share of households with one single person** in Scandinavian countries, Germany, and the Netherlands. On average, the largest families are to be found in Ireland, followed by Belgium, the Netherlands and Scandinavian countries. At the EU level, 50% of families with children are composed of one unique child, with the rate even higher in some Eastern or Southern countries. The increase of **single-parent families** is also another strong driver for the development of PHS. The share of single parents represented 4.5% of households in the EU in 2011, a share that has constantly increased over the past 6 years (4% in 2005). In Denmark, UK, Ireland, Estonia and Lithuania, this share is over 6%. These evolutions of family structures are sometimes analysed in terms of “fragmentation” of social and family links. It is certain that the rise in single families and increasing divorce levels may erode the traditional family unit. People living alone may be dependent on external actors (family relatives, the community or the State) to meet their care needs. However, the fact of living alone does not necessarily mean that people are isolated.

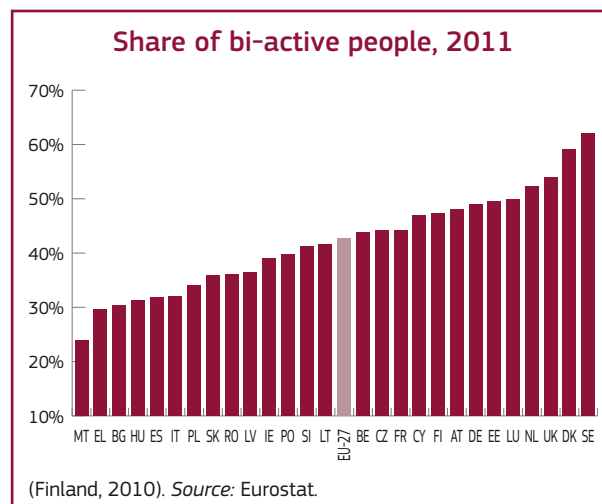


Another last interesting indicator relates to the **share of bi-active households**. This is a type of households in which both members work can be considered as major potential users of personal and household services. This data can be seen as a proxy for analysing conciliation issues within households. The proportion of bi-active houses represents 42% of households and has been growing over the last years at the EU level, even if decreasing in some countries such as Hungary and more intensively in Spain as a result of the crisis (from more 36% in 2007 to less than 32%).

As we see now, there are many steps between the observation of one particular, *virtual*, driver for the development of personal services and an *actual* demand, under the form of a purchase

⁽³²⁾ See M. Iacovou and A. Skew, Household structure in the EU in Atkinson, Marlier (dir), Income and living conditions in Europe, 2010, European Commission. More details in Annex 3.

⁽³³⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typeld=92>



on the market for instance. As a result, despite the existence of *needs*, there remain several barriers to transforming the significant *potential* of personal services in something effective.

1.6. From the drivers of development to the actual demand: exploring consumers' behaviour

The existence of many drivers cannot be contested and they definitely call for a series of public interventions, be it in the field of childcare, care for the elderly, work-life balance or other services dedicated to households. These new social needs, which are in constant growth today, are one of the main challenges for the evolution of the European social model and are significant in terms of employment policies.

However, highlighting these very significant unsatisfied needs does not necessarily mean that at an individual level, households will effectively decide to externalise to service providers some of the tasks they perform themselves. What is striking is that there is a large difference between the low development of the market for personal services in Europe – around 6 to 10% of households on average in Europe employed someone to undertake domestic chores in the beginning of the 2000s⁽³⁴⁾ – and potential demand that can be expressed by people in surveys, which sometimes can reach high levels. For instance in a 2006 **French** survey, 41% of the interviewees said they would like to make use of at least one personal and household service in the future⁽³⁵⁾. This figure certainly cannot be taken for a direct measure of the potential market for personal services; nevertheless as the study states, when adding this figure to the share of households already resorting to at

⁽³⁴⁾ Cancedda, op. cit.

⁽³⁵⁾ Observatoire Caisse d'épargne, op. cit.

least one service at the time of the survey (26 %), we find that two thirds of households positively accept the idea of externalising some activities on the market. In **Germany** – where formal personal services are less developed than in France but where the share of informal jobs is very high – around 20 % of households state that they either actually employ or have employed domestic workers for cleaning and other jobs, while a further 15 % indicate that they would consider employing domestic workers⁽³⁶⁾.

However there is a gap between potential demand and actual demand. Even in dual-career households, that we can deem to be those with highest needs, but also those with the highest resources to pay for the cost of personal services, only one third actually outsource housework tasks in the case of the UK (where there are no public incentives at all in the field)⁽³⁷⁾. Several barriers can be highlighted, explaining why do households not externalise more to service providers.

The role of incomes and prices

A first barrier is of course linked to incomes and prices. Some researchers have analysed the elasticity of demand to **income**. Using a French panel in 1995 (that is a time when the sector began to be supported by public policies), Flipo and Hourriez estimate an income elasticity equal to 3: that is to say, when the income increases by 1 %, the employment of domestic workers increases by 3 % among French households⁽³⁸⁾. This is an activity much more sensitive to income than going to the theatre for instance (which price elasticity is already high, equal to 2 %). However, among older people, the sensitivity to incomes is lower because of the presence of public support for the lowest incomes. As a result, the elasticity is inferior to 1 among single persons over 60.

Regarding **prices**, the elasticity was measured for the period 1960-1985 on French data and estimated at -0.8, but the scope of services taken into account was larger than that of home services (it included for instance hairdresser services)⁽³⁹⁾. Other studies have more particularly focussed on the impact of tax reductions, which are similar to a diminution of the price. According to Flipo et al. (2007), the demand for personal and household services would increase by 13.5 % if the price diminished by 10 % (i.e. elasticity equal to -1.35)⁽⁴⁰⁾. Another French

⁽³⁶⁾ Allensbacher Archive, IfD Umfrage 2008.

⁽³⁷⁾ According to Gregson and Lowe (1994), only around 35 per cent of the dual-career families in professional and managerial occupations in their study employed waged domestic labour in one form or another, including nannies. Mentioned in J. Windebank, (2010), "Barriers to outsourcing domestic chores in dual-earner households", *International Journal of Sociology and Social Policy*, Vol. 30 Iss: 7 pp. 387 – 398.

⁽³⁸⁾ Flipo A., J-M Hourriez, *Recourir à une femme de ménage*, Insee Première, 1995.

⁽³⁹⁾ Id.

⁽⁴⁰⁾ A. Flipo, D. Fougère, L. Olier, Is the household demand for in-home services sensitive to tax reductions? The French case, *Journal of Public Economics* 91 (2007) 365–385.

survey estimates that a 1 % increase of the labour cost would lead to a reduction of declared workers by 0.77 %⁽⁴¹⁾. A Swedish estimate of the price elasticity gave a result of between -0.53 and -1.49⁽⁴²⁾. In another study on personal services the price elasticity was estimated at -0.7, which means that when the price of the service falls by 10 %, the demand will increase by 7 %⁽⁴³⁾. According to another French study undertaken in 1995, a reduction of price of 25 % would increase the recourse rate by 15 % (table below). This price sensitivity varies little with incomes.

Proposition of price and potential recourse rate – French survey 1995

Hourly price (proposition)	Recourse rate
FF 20 (EUR 3)	58 %
FF 30 (EUR 4.50)	33 %
FF 40 (EUR 6)	14 %

Source: CREDOC (').

(') (CRÉDOC (1995): Enquête « Conditions de vie et aspirations des français: les personnes âgées dépendantes, les dépenses de santé », *collection des rapports*, n° 166.

The evolution of prices is then decisive for the evolution of the sector. As Jan Windebank writes, "Domestic services are very price sensitive because they must compete with self-provisioning which has no financial cost"⁽⁴⁴⁾. This comparison between internalisation at no market cost (but with other costs attached) and outsourcing on the market is of course central to household strategies. To analyse this, one has to compare the average wages or incomes of households and the price of the services on the formal and undeclared market. Particularly strong seems to be the role of woman's income in the household, associated with the time she has available for doing housework chores herself⁽⁴⁵⁾.

At what moment then does the service become affordable? This very much depends on the subjective assessment of the value of the service for the potential user, which is itself linked to his/her assessment of the value of his/her own time. As Jan Windebank writes: "The importance of affordability as a significant factor in decision-making surrounding outsourcing is borne out by the class composition of those who do outsource their domestic chores"⁽⁴⁶⁾. Many surveys converge in emphasising the fact that recourse to the market for domestic chores

⁽⁴¹⁾ Cour des comptes, *La politique en faveur des services à la personne*, p. 520, February 2010, quoted by Oliver Wyman, 2012, *Services à la personne: bilan économique et enjeux de croissance*, p. 34.

⁽⁴²⁾ SOU, *Statens Offentliga Utredningar*, 1997:17. Finansdepartementet. Skatter tjänster och sysselsättning.

⁽⁴³⁾ SOU, 2008: Skattelättnader för hushållstjänster. Betänkande av hushållstjänstutredningen. Stockholm.

⁽⁴⁴⁾ J. Windebank, op. cit., p. 390.

⁽⁴⁵⁾ E. Stancanelli and L. Stratton (2011), 'Her time, his time, or the maid's time: An analysis of the demand for domestic work', IZA, <http://old-hha.asb.dk/nat/workshop/2011/ls2706.pdf>

⁽⁴⁶⁾ J. Windebank, op. cit.

increases with social categories. We will present statistics later in this report confirming this “class” character. The issue of affordability also raises the question of how female domestic work is economically and socially valued, as a feminist critic has pointed out. “From a feminist perspective, it could be argued that since domestic work is still viewed as a natural aspect of women’s role in the family, households put a low value on it. Consequently, any paid service which might replace women’s domestic labour will never be ‘cheap enough’”⁽⁴⁷⁾.

Besides prices and incomes, other barriers or constraints

Economic factors are not the only explanation for the potential demand for PHS and, reversely, they are not the only barriers or obstacles that might limit the development of these services.

A first difficulty might of course lie in the **accessibility** of these services. Another is linked to the issue of **unobserved quality and quality uncertainty**⁽⁴⁸⁾. There are many other factors that are cultural or psychological and that might take different forms in different countries, in particular relating to the dominant attitudes towards the family, the home and social norms or social habits⁽⁴⁹⁾. There can be reluctance for potential consumers to open their home to unknown persons – this is a barrier often mentioned when analysing the sector of home-based services. Some very practical aspects of the relationships, such as handing over keys, can be a barrier for many people.

A 2006 French survey reported that 46% of women felt that outsourcing housework tasks was seen as an intrusion of their intimacy, and this appraisal was equally shared by women of all ages and social categories⁽⁵⁰⁾. In the same time, 47% of women were looking to free up some time dedicated to domestic chores. As the report concludes, the decision of resorting or not to paid housework services lies in between these two elements.

Another difficulty is linked to the **difficulties in assuming the role of employer**. Employing a cleaner is not an “assumed, automatic or accepted social practice”⁽⁵¹⁾. However this difficulty can be reduced if there exists an organised market for housework services. In some countries, the introduction of vouchers also facilitates the employment of housework employees, but in some cases the sense of duty of households as employers may be reduced as they do not consider themselves as real employers but simply as voucher purchasers.

⁽⁴⁷⁾ Id.

⁽⁴⁸⁾ See D. Messaoudi, 2012, La différenciation qualitative dans les services de l’aide à domicile: une lecture par les conventions de qualité, *Revue d’économie industrielle*, n° 138.

⁽⁴⁹⁾ See C. Gallouj, op. cit. p. 58-59.

⁽⁵⁰⁾ Observatoire Caisse d’épargne, op. cit.

⁽⁵¹⁾ N. Gregson and M. Lowe, 1994, *Servicing the Middle Classes: Gender and Waged Domestic Labour in Contemporary Britain*, Routledge, London. Quoted in Windebank, op. cit.

Other prevailing social norms regarding the role of women within families can also be a cultural barrier – of course, an objective of the development of personal services is also to offer new alternatives to women and thereby struggle against the cultural attributions of social roles. Choosing whether or not to outsource housework tasks can also be motivated by what “identity” women have freely adopted⁽⁵²⁾ or have had imposed on them. For Jan Windebank, “many women still view domestic labour as part of their familial duty and a “natural” aspect of women’s and particularly mothers’ role since it plays an important part in the development of gendered identities for women and for emotional relationships in the family”⁽⁵³⁾. This also points to the fact that, contrarily to what the theory of domestic externalisation (from households to service providers) might suppose, it is not necessarily the more constraining tasks that are outsourced. As an above-cited French survey indicates⁽⁵⁴⁾, some services representing a weak constraint can be strongly outsourced (like homework assistance for children), while the reverse is also true (activities representing a strong constraint like administrative duties are rarely externalised) (see graph in Annex 5⁽⁵⁵⁾). Indeed, the notion of what constraint recovers is very different from one household to another and is attached to diverging appraisals of one’s “intimacy” sphere or attributed roles in the family. The assumption that the more an activity is seen as a constraint, the more it is outsourced outside the family, therefore, cannot be generally verified.

Further, what is seen as a constraint depends very much on the women’s qualification and level of education. As shown in this survey, the more qualified the women, the most often they will consider these housework tasks (in particular those referred to as being “basic tasks” like cleaning or ironing) as representing a constraint.

In more psychological terms, the intervention of a third person in the daily life of someone, in particular of older persons, can be perceived negatively, as a recognition of their loss of autonomy for instance, which might be denied by the beneficiary him/herself. This might also be the case for the person’s relatives who may refuse to admit their needs for external support.

In **Germany**, such “mental barriers” heavily influence the demand for household and personal services⁽⁵⁶⁾. Still it is prevalent that women should take care of their children and if they do not do so, they may be suspected of being a “bad” mother. Related is the problem of working in someone’s home. Here, quality standards could develop more reliability and trust, and hence, help to address the latter issue. Moreover, there is no tradition of formal employment in private households provid-

⁽⁵²⁾ C. Hakim, 2000, *Work-Lifestyle Choices in the 21st Century: Preference Theory*, Oxford University Press, Oxford.

⁽⁵³⁾ Windebank, op. cit.

⁽⁵⁴⁾ Observatoire Caisse d’épargne, op. cit.

⁽⁵⁵⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typeId=92>

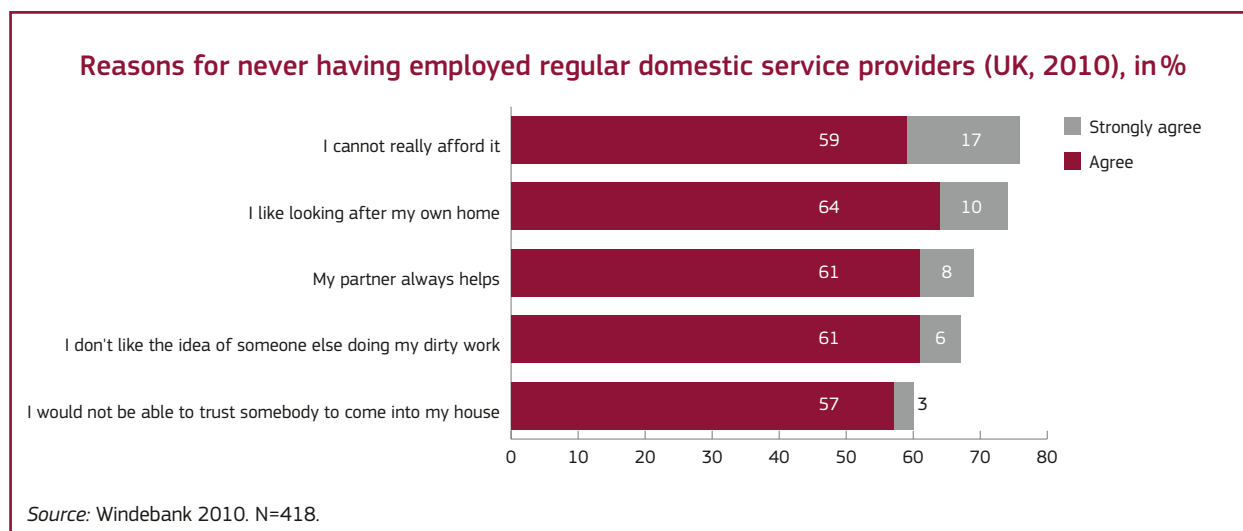
⁽⁵⁶⁾ BMFSFJ (2011): *Haushaltnahe Dienstleistungen: Bedarfe und Motive beim beruflichen Wiedereinstieg*.

ing such services (including care for the elderly and children at home) which are traditionally the responsibility of the family.

In the **UK**, the reasons for never having employed a regular housework service provider have been empirically assessed by Jan Windebank on the basis of a questionnaire survey amongst the employees of a large service-sector employer in a major UK city. The first barrier to outsourcing is affordability of the services, a finding that reinforces the above-mentioned elements on the centrality of price (see graph below)⁽⁵⁷⁾. Preference for doing this work by oneself as well as adequate help provided by the partner reduces the probability of outsourcing, while trust is also mentioned as an issue but this not as important as affordability.

that they are doing anything wrong when resorting to undeclared labour and have no reason to change their behaviour. This observation is the so-called “identifiable victim effect”: it states that since no victim can be seen, informal employment is generally not seen as crime. Considerations about social security systems, or payments are not taken into account by most employees and employers, since consequences cannot be realised immediately. These decisions result in the domestic work being labelled as a “black-grey, deregulated and precarious labour market” by the responsible Federal Ministry for Family and Social Affairs⁽⁵⁹⁾.

In **Bulgaria**, the market of housework help services is mostly undeclared and belongs to the hidden part of the economy⁽⁶⁰⁾.



According to a **Dutch** survey⁽⁵⁸⁾, the first reason mentioned by households who do not outsource cleaning in the house is that they have enough time to do it themselves (56% of households). The other reasons were that there is not enough cleaning to outsource (18%), that “no one can do as well” as households do (11%) and that they find it too expensive to hire someone (9%). 1% of the respondents said they would like some help but that they cannot afford the cost. 2% of respondents have looked for some help but could not find any.

Resorting to undeclared labour

Finally, a last obstacle to the development of a formal sector of personal and household services can be the **social acceptance of undeclared labour**. This is linked with the **relative price of undeclared labour compared to declared services, but also with social norms and current practices**. In a country like Germany, undeclared employment in the field of home cleaning, child care, etc. still is socially “accepted”. Most people do not feel

This identifiable victim effect is also driven by a lack of legal clarification: “Both suppliers and consumers of those services hardly know which law, if any, they are violating by not reporting their transaction, but do not expect any penalty for that. Usually households use the services of self-employed people for cleaning, baby-sitting, repair works, etc. Even for legal experts it is hard to judge if non-compliance is the responsibility of the self-employed supplier (for not issuing a sales receipt), or rather of the household for not signing a contract for service delivery. In other words it is not clear if the household is just a buyer of a service, or part time employer with the corresponding responsibilities”⁽⁶¹⁾.

Conclusion

These elements, both theoretical and empirical, show that the notions of outsourcing or externalisation from household to service providers (we take both notions as synonymous)

⁽⁵⁷⁾ Even though the author reports that the average price paid to a cleaner in this study was EUR 28 per week and to someone doing ironing, EUR 14 per week which are not excessive amounts when compared to other usual expenditures made by households.

⁽⁵⁸⁾ SEOR, op. cit.

⁽⁵⁹⁾ BMFSFJ, 2006: Familie zwischen Flexibilität und Verlässlichkeit - Perspektiven für eine lebenslaufbezogene Familienpolitik. Siebter Familienbericht. Berlin.

⁽⁶⁰⁾ K. V. Pashev, The Belgian Service Voucher Employment Program: Statements and Comments, Bulgarian Expert Paper, Peer Review, 2006.

⁽⁶¹⁾ Id.

are complex ones as far as housework is concerned. These notions theoretically have their roots in industrial economics and the idea that companies will rationally compare the costs between internalising a production or buying it on the market⁽⁶²⁾. However, the same rationality cannot be assumed for households or families in managing their daily life (even if behaviours are often rational though) as compared to company managers. There are many non-economic parameters that enter into the decision-making process. However, issues of costs, prices and affordability remain paramount in this process. In certain contexts, households prefer resorting to undeclared labour rather than declared

services, on pure economic grounds and taking into account the limited risks of sanction they might face. This is a sort of rational calculation.

This section has focused on the main drivers of development in the field of personal services and has stressed that much is required to transform the significant potential needs into effective demand. In the next section we turn to the analysis of public policies in Europe which have generally been designed to support this development and to achieve different goals related to job creation, reduction of undeclared work and expansion of conciliation opportunities.

⁽⁶²⁾ C. Gallouj, *op. cit.* The reference here is the “transaction cost theory” due to R. Coase and O. Williamson.

2. Forms of public action and public support in the EU

2. Forms of public action and public support in the EU

Public policies completely structure the way personal and household services are defined in different countries. These policies may follow different aims either in the field of *social* policies (development of care for dependent persons, childcare measures), *employment* policies (creating new jobs, activating the unemployed, combatting undeclared jobs, worklife balance policies), or *economic* policies (development of a new sector, structuration of supply). As a result, different tools will be developed, corresponding to these different aims, and linked to different national institutional pathways. In some countries, where an existing well-developed care model for older people or children already exists, this makes it possible to develop a complementary sector of personal services for private individuals and households in order to stimulate formal employment. In France, Belgium or Nordic countries for instance, the existence of a well-developed care system for dependent people, relying both on residential care and home care services, was completed by reforms in the field of housework services. In some cases, these reforms might however have led to a blurring of the boundaries between “care” and other activities, as in France where the CESU voucher created in 2005 can be used for a very large panel of activities. In comparison in Belgium the *Titres services* voucher cannot be used for care services. In Scandinavian countries, a well-developed public care system is strictly differentiated from the tax advantages that households can receive from their purchase of home services, which also include home renovation services⁽⁶³⁾.

In other countries however, the priority today rather seems to be the development of a home care system for dependent persons and this might be the reason why the housework sector is not well developed. This lack of welfare support for families is sometimes conceived as a “unsupported familialism” which is prevalent in Southern countries but also Germany. In this model the family is seen as a main informal pillar of welfare support. This is for instance the case in a country like Spain which implemented a large and important law on long-term care in 2006, with the aim of developing service provision and creating professional, formal jobs.

We concentrate in this part on the different forms of public action that have taken place in the past two decades in the EU to develop personal and household services as defined above, that is with a specific focus on domestic chores and leaving aside care services as such.

⁽⁶³⁾ In Finland and Sweden.

Several aims have been followed, with the help of different tools. The main goal has been reducing undeclared labour and encouraging the creation of regular jobs through different means:

- *Reducing the price.* First of all, giving subsidies to households in order to reduce the prima facie value of the service. Different mechanisms are on offer.
- *Simplification of procedures.* Creating a general voucher system rendering these activities more visible and making formal employment (and administrative duties) easier.
- *New regulation on employment.* Increasing the flexibility of employment in the sector through specific statuses for employees.
- *Fostering the emergence of a supply side.* This can mean services offered to formal suppliers but also immigration policies which have crucial importance in many European countries where immigrant informal service providers represent the main form of supply.

2.1. Reducing the price

As seen above when analysing the main barriers to the development of personal and household services (restricted to housework services), price and affordability of services are among the first obstacles, though they cannot be disconnected from other non-economic parameters. Resorting to undeclared jobs rather than declared jobs is principally driven by price motives. For these reasons, in countries which have implemented measures to develop regular employment in the field of PHS, reducing the face value of personal services has been the first measure taken to encourage legal consumption and formal employment. This can be achieved through several mechanisms.

Mechanisms to reduce the price

First, through a **reduction of the VAT rate**, as authorised by the European directive on VAT⁽⁶⁴⁾. A reduced VAT rate on personal and household services applies in the Netherlands (6%) and France (5.5%-7%) for instance. Concerning France, the

⁽⁶⁴⁾ Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax. EU countries may apply one or two reduced rates of not less than 5 %. The reduced rates may only be applied to supplies of goods and services in the categories listed in Annex III to the VAT Directive (as last amended by Directive 2009/47/EC).

5.5% rate only applies for essential services provided to disabled and elderly dependent people (i.e. care services excluded from the scope of the report). Since 2011 a 7% reduced rate applies for all other personal and household services, including housework services. This reduced rate will increase from 7% to 10% on the 1st January 2014. Not-for profit personal and household services providers benefit from a VAT exemption whereas companies are entitled to the reduced VAT rates. In the case where the service is provided by a worker directly recruited by private individuals, no reduced VAT rates nor VAT exemption apply.

In Germany no VAT applies to services provided in the framework of mini-jobs.

Second, the reduction of the price can be achieved through a reduction of the cost of labour by means of **exemptions from social contributions** on employees' wages, for direct employers or companies. In **France**, social tax exemptions were put in place in 1987 for the direct employment of a service provider at home. In 1998⁽⁶⁵⁾ these exemptions from social contributions were also open to provider organisations in the non-profit sector, and later in 2004 for private companies, for their interventions for older people or disabled people. Since 2005 these exemptions are no longer limited to care services and also apply to any activity in the legal perimeter of "personal services". In 2010 and 2012, some benefits given to households employing domestic personnel were cut by two successive governments, in a context of budgetary discipline. Since 2010, the social contributions exemption has been limited in 2010 to care services to dependent people. In **Spain**, the introduction of such benefits is more recent. In 2011 the government set up incentives for households employing domestic personnel. This new measure will apply for the years 2012 to 2014. The level of reduction of social security contributions is equal to 20% and can increase to 45% for large families. This measure is included in a broader plan to improve regulation of housework jobs and to regularise undeclared jobs.

Third, the cost can be reduced if a **third party** (other than the State) pays part of the price – this can be done by companies for instance who offer their employees access to personal services. This mechanism is not very widespread, except in **France** where companies or workers councils can partly finance the purchase of vouchers by their employees. Local authorities in the context of their social competencies or insurance companies can also finance the cost partly or totally.

Fourth, the price can be reduced for final purchasers by means of **tax deduction schemes**. This is certainly the most developed tool for encouraging formal employment. Such schemes have been applied in (at least) the following countries: FR, BE, SE, FI, LU, IT, DE, DK. However, the mechanisms and logics are not the same everywhere.

⁽⁶⁵⁾ Loi de financement de la sécurité sociale du 23 décembre 1998.

General tax credit schemes with a large scope

In some countries, the tax credit system relies on a wide definition and applies to any purchase or recruitment corresponding to a list of agreed activities. The perimeter and scope will therefore vary according to the policy objectives.

In **France**, tax incentives are part of a large conglomerate of measures to stimulate the creation of formal jobs, alongside (as seen above) a reduced VAT rate for the buyers, social tax exemptions on the structuration and professionalisation of the market (on this last point, see below). Tax reduction schemes are a major component of a "solvabilisation" strategy, i.e. measures aiming at making consumers solvent. They were created more than twenty years ago. In 1991, a deduction on income tax was set up for households who either directly employ a service provider at home or resort to a provider organisation. Since then, the scope of application of this tax reduction has been enlarged, and it now corresponds to more than 20 activities embracing care and non-care services (like cleaning, ironing, IT assistance, private lessons, etc.).

The tax deduction is equal to **50%** of legal expenses for these services. There is a ceiling that has often changed since the creation of this measure, now equal to EUR 12 000 per year. But it can be increased depending on the number of children, for people aged 65 or more, or for disabled persons or parents of disabled children⁽⁶⁶⁾.

As the first graph in Annex 6⁽⁶⁷⁾ indicates, for householders aged under 65, in average 35 to 40% of the total expenses were finally reimbursed by tax reductions in 2004. The average reimbursement was between EUR 1 000 and EUR 1 500 for the period 1996-2005 (second graph, Annex 6⁽⁶⁸⁾).

In 2007, this scheme was transformed into a tax credit for active people only. If the amount of tax deduction is superior to income tax, then the public treasury reimburses the difference to the person. The idea was to give incentives to people who pay low levels of income tax or no income tax. This change introduced a difference in treatment between active people and retired people, who cannot benefit from the measure if they are not liable to income tax.

Thanks to these tax incentives, the sector of personal services in France has been quite dynamic in recent years. In 2011, 3.4 million households consumed personal services, i.e. **13% of French households**, compared to 2.1 million users (8% of households) in 2005⁽⁶⁹⁾.

⁽⁶⁶⁾ 13 500€ for households with one dependent child, EUR 15 000 with more than 1 child, EUR 20 000 for dependent persons.

⁽⁶⁷⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92>

⁽⁶⁸⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92>

⁽⁶⁹⁾ BIPE-ANSP, Tableau de bord statistique du secteur, March 2012.

Denmark was, with France, one of the first countries to introduce a national policy to develop housework services. The home service scheme (*Hjemmeserviceordningen*) was introduced in 1994 and made permanent in 1996. The benefit concerned housework services such as garden work, snow clearance, shopping for daily goods, cooking, cleaning, laundry, and window cleaning and the subsidy was set at 50% of the cost. Very interestingly as well, Denmark is also one of the rare countries to have later restricted the scheme. The law was circumscribed in 1999 and 2002, and severely restricted in 2004. The benefit of the scheme was made available only to people aged 65 or more. In June 2011, the home service scheme was dismantled, but a new scheme has been established (*Servicefradrag*) which gives access to a tax credit for all private persons who have incurred expenses for home services within their households⁽⁷⁰⁾. This was a non-permanent measure, which only applied for expenses incurred between June 2011 and December 2012. In 2013 the scheme is to be abolished. The scheme applies to the following activities: cleaning, gardening, child-minding, reparation and renovation. DKK 15 000 (EUR 2000) can be subtracted from taxes per year, representing around DKK 7 000 (EUR 940 in real subsidy). This measure can also be considered to be a support for the craft sector in a period of crisis.

Finland introduced a tax deduction system in 1997 for home-based services (within the taxpayer's own household but also for housework services performed within elder relatives' homes), alongside existing measures in the field of care services to older persons. The Finnish tax incentive system embraces a large list of housework activities. The tax reduction applies against central government taxes. If the reduction is larger than the amount of central government income tax, local government taxes can be reduced as well.

Finland: Tax credit mechanism, 1997-2012

	1997-2000	2001	2002	2003-2004	2005	2006-2008	2009-2011	2012
% reduction (in purchasing company)	40	40	40	60	60	60	60	40
% reduction on wages (hiring employee)				10%	30%	30%	30%	15%
Liability	0	85	100	100	100	100	100	100
Maximum reduction	845	845	900	1150	1150	2300*	3	2000

Source: Tax administration (* renovation work limited to 1150).

The tax credit can be granted against paid costs for household work, caregiving and day-care work in the home, and also for repair work in the home or at a leisure house, and IT services since 2009⁽⁷¹⁾. No tax credit is available if the same household work has already been supported by public subsidies or financial support in the framework of care policies (such as support for informal workers schemes, family day-care allowances or municipal service vouchers covering social and healthcare costs) or through a series of other arrangements (employer's low-wage support or similar support arrangements, subsidies for repairs and home improvement paid by public authorities).

Very interestingly, the scheme distinguishes between services purchased towards provider organisations and direct employment by the household. As a result the amounts which are creditable are not the same:

- 40% of the expenses if the services have been purchased towards a company, small entrepreneur or a non-profit organisation. Until the end of 2011, the rate was of 60%.
- 15% out of the wage paid for hiring an employee and 100% of the employer social contribution. Until the end of 2011, the rate was of 30%.

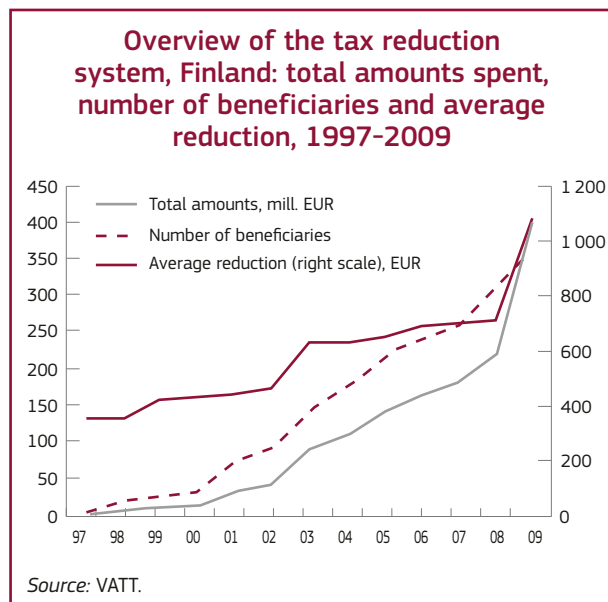
As can be seen, the intensity of the measure has been considerably reduced in 2012 as an effect of budget discipline. The ceiling has also been reduced. From 2009 to 2011, the maximum amount of deduction was EUR 3 000. In 2011 the maximum amount fell to EUR 2 000. As the tax credit is individual, a couple can obtain a deduction of EUR 4 000. The table below shows that the measure has evolved over the last years, as a consequence of policy orientations (for instance the deduction was doubled in 2006 compared to 2005 in order to boost the demand for low-wage labour⁽⁷²⁾).

⁽⁷⁰⁾ Kvist, 2012, op. cit.

⁽⁷¹⁾ The list of services entitled to tax deductions is defined by the Tax Administration. See: [http://www.vero.fi/fi-FI/Henkiloasiakkaat/Kotitalousvahennys/Kotitalousvahennyksen_oikeuttavat_tyot\(9231\)](http://www.vero.fi/fi-FI/Henkiloasiakkaat/Kotitalousvahennys/Kotitalousvahennyksen_oikeuttavat_tyot(9231)).

⁽⁷²⁾ Kauhanen, M., The Belgian Service Voucher Employment Program: Statements and Comments, Finland Independent paper, Peer review, 2006.

As an effect of the increase in the maximum amount from EUR 2 000 to EUR 3 000 in 2009, the number of beneficiaries has progressively increased, to reach 370 000 households in 2010. The average reduction received by households is now over EUR 1 000.



However, housework services only form a minor part of the Finnish scheme under consideration here. In 8 cases out of 10, the tax deduction is used for renovations and home repairs. In 2009, 81% of tax deductions were associated with renovation services, 16% with household and personal services, and 3% for treatment and care services. In 2004 73% of households that had received the deduction bought renovation services, while 25% bought cleaning services⁽⁷³⁾. The shares of other services are much lower, for instance gardening only accounts for 3%. In terms of economic value, the share of renovation services accounted for more than 90% of the total value of purchases. That of cleaning represented 6%.

A 2007 consumer survey gives more information about the frequency of purchase (Annex 7⁽⁷⁴⁾,⁽⁷⁵⁾). The most important purchases are related to renovation and home maintenance work, either in their own or leisure accommodation. This type of service is quite rarely bought, just a few times a year. Concerning household and personal services, cleaning and window cleaning were the services most often purchased.

In **Sweden**, the tax reduction system was introduced in July 2007 by the centre-right wing coalition which had just risen to power. However the idea of a tax credit on housework

⁽⁷³⁾ Niilola, K. and M. Valtakari, 2006, Kotitalousvähennys, Työministeriö, Työpoliittinen tutkimus 310, Helsinki.

⁽⁷⁴⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typeId=92>

⁽⁷⁵⁾ Varjonen J., Aalto K., Leskinen J., 2007, Täsmällistä, ammattitaitoista ja edullista - kuluttajapalautetta kotitalouspalvelumarkkinoille. Kuluttajatutkimuskeskus. Julkaisuja 2/2007. Mentioned in Tuovinen 2007.

services has been in the public debate for years, since the beginning of the 1990s, with the neighbouring Finnish experience having some influence. An important element of this debate was whether or not maid jobs should be supported by the State and feminist thinkers as well as unions have voiced their concerns⁽⁷⁶⁾.

There are two components in this system. On the one hand in 2007 the *RUT-avdraget* or RUT-reduction was created – RUT standing for “Rengöring, underhåll och tvätt” (cleaning, maintenance, servicing). On the other hand in 2008, a second scheme was re-activated (known as the ROT-reduction) dedicated to home renovation services⁽⁷⁷⁾. Together, these two schemes are known as “*husavdrag*”, i.e. for the tax advantage allowed to anyone who buys “housework”. This approach underpins a large definition of “home services” embracing housework services as well as renovation services. This inclusion of renovation services is similar to what happens in Finland or Denmark. Proposals have also been made to complement RUT and ROT reductions by tax credit for IT services in the home (possibly called RIT)⁽⁷⁸⁾.

The mechanism of the RUT-reduction is the following. The taxpayer can receive a tax credit of **50%** of the labour cost (including VAT) of the household services. The two systems go together and rules apply jointly to both of them. Indeed, the sum of these tax reductions (RUT + ROT) must not exceed SEK 50 000 (around EUR 5 500) by person per year, with a household maximum of SEK 100 000 (EUR 11 000). Concerning the RUT-reduction, entitled services include cleaning services, cooking, clothes care, snow removal, lawn mowing and childcare. The service must be provided by a registered company (or a single person who has his/her own registered company).

An invoice is compulsory. In the first two years of the system, the buyer of the service had to pay the full price and then declare it to the tax administration, in order to receive the tax credit. Since 1 July 2009, this administrative circuit has been considerably simplified. Consumers of housework services now receive their tax rebate immediately (deducted from the price

⁽⁷⁶⁾ E. Kvist, M. Carbin, H. Harjunen, 2009, Domestic services or maid? – discourses on gender equality, work and integration in Nordic policy debate, Paper presented at the QUING (Quality in Gender Equality and Politics) conference, Budapest, Hungary, 2–3 October.

⁽⁷⁷⁾ ROT stands for Reparation, Ombyggnad, Tillbyggnad and is actually a collection term for measures to renovate and upgrade existing buildings, mostly residential. The ROT deduction was first introduced in 1993, aimed to increase capacity utilisation within the Swedish construction sector and thereby reduce unemployment. Since then, the program has been on and off. In December 2008 its re-launch was motivated as a stimulus programme to the building industry in the context of the crisis.

⁽⁷⁸⁾ Almerga, “RUT, ROT, RIT – nya jobb och företag i lågkonjunkturen”, 2009. <http://www.almerga.se/politik-och-ekonomi/rapporter/rut-rot-rit-nya-jobb-och-foretag-i-lagkonjunkturen>. According to Almerga, an employer and trade organisation for the Swedish service sector, there are almost no companies offering IT support to individuals while the demand is great. The RUT and ROT experiences have shown that when the tax reduction was introduced, the white market for these services was limited and it is thanks to the tax reduction that the private market for craft services and home help services has developed. Almerga relies on a survey indicating that 18% of respondents were thinking about needing services such as “installation or support of broadband, wireless networking, security or help services etc.” within a year. Among them, 78% could consider buying IT services would a tax deduction be on offer.

of the services) and the administrative work against the tax agency (to show that no taxes needed to be paid) became the firm's responsibility. This "new invoice" model, as it has been named, has considerably encouraged demand.

Services for dependent persons are rarely covered by the RUT-deduction, unlike in other countries, such as France. These services are generally provided by local authorities in the context of a Beveridgean social model with universal benefits paid on taxes.

According to Statistics Sweden, deductions for home renovation and household services were on the rise in 2010⁽⁷⁹⁾. In 2010, 850 000 persons benefited from this tax reduction. This represents **11.9%** of households, a proportion that is constantly increasing (it was 9.2% the year before).

Of the two schemes, this is the ROT deduction that is quantitatively the most important. In total in 2011, more than EUR 1 500 million were spent by the tax administration for ROT. In 2009, the number of companies providing services to ROT-users was more than 55 000, and this number has increased since. The ROT deduction benefits more often those aged 35-70 than the younger people or people over 70. To take advantage of the ROT deduction, persons must own their dwelling or have an owner-occupied apartment, and this is less common among younger and older people.

The RUT reduction for personal and household activities only represented 10% of public expenses in 2011. According to the Employer and Trade organisation for the Swedish service sector (Almega) in 2012, 491 711 persons used the RUT reduction (compared to 320 000 persons in 2010) and there were 14 729

employees in the sector. The share of households receiving the benefit has increased from 4.5% in 2010 to nearly 7% in 2012. In 2012, the total amount of RUT reductions represented around EUR 254.7 million.

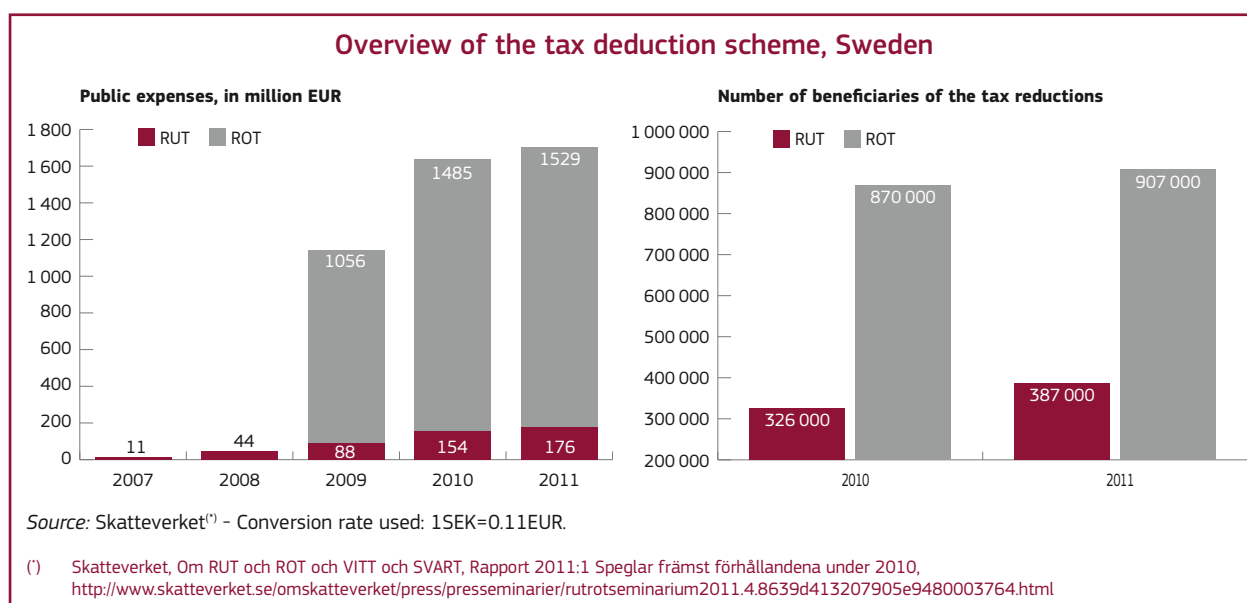
In 2010, the average amount that households have benefited is around SEK 4 000, i.e. **around EUR 450**. As for the ROT reduction, those on mainly higher incomes have benefited most (see infra).

In 2011, the total amount of tax deductions represented around EUR **176 million**. From 2009 to 2011, the total amount of tax deductions for housework services has doubled (graph below).

In both cases (RUT and ROT), the new "invoice" model (i.e. the immediate return on price) has had a positive impact on demand.

In **Luxembourg** the tax reduction corresponds to a maximum rebate of 3 600 EUR by year, and it cannot exceed 300 EUR per month. It is allowed for expenses on housework services, care services for dependent persons or childcare.

Also of note is the short-lived attempt to introduce a tax reduction in **Hungary**, a couple of years ago. In 2009 a tax credit was introduced, the so-called "household tax benefit", with a view to formalising the sector. 30% of expenses were deductible from personal income tax, with a maximum of HUF 100 000 (around EUR 350) of the total amount (including VAT)⁽⁸⁰⁾. The scope was therefore quite large, as the following activities were listed: renovation of property, modernisation of services, babysitters, childcare, housekeeping, home care, household appliance maintenance and repair, heating



⁽⁷⁹⁾ http://www.scb.se/Pages/PressRelease___327027.aspx.

⁽⁸⁰⁾ The household tax benefits belonged to a bigger group of personal tax benefits (tax benefits on donations, adult education, pension fund payments, life insurance, tuition fees etc). 100 000 HUF were deductible as a total (e.g. the taxpayer could deduct from personal tax 70 000 HUF from adult education fees and 30 000 HUF from household services.)

systems, flue gas discharge systems, hot and cold pipes, and wastewater system maintenance and repair. This system of tax credit of household services did not live up to expectations. In 2009, only 12 615 taxpayers reported EUR 2.5 billion HUF tax base (the amount of all invoices for discounted household services). The household tax reduction eventually ceased to exist one year after its introduction. One can say that the tax incentive was not strong enough to reduce recourse to the black market which is really prominent in all of the activities concerned by the measure.

Tax credit attached to the use of vouchers or depending on special schemes

Other countries have attached the benefit of tax reduction to the use of vouchers or the implementation of specific schemes like the mini-jobs in Germany. In **Belgium**, tax reductions are attached to the use of vouchers, which is not the case in other countries reviewed thus far. In France for instance, consumers may benefit from tax incentives whatever the mode of purchase (either direct payment to a company, the use of a voucher or direct employment of an employee). There are two parallel vouchers in Belgium, the *chèque ALE* on one side and the *Titre-services* on the other (this latter scheme being the major one today). Users of the *Titres-services* scheme or of the *chèque ALE* scheme benefit from a **30 % tax deduction**, up to € 2 560 per year per person. The ceiling is calculated on the total amount of *chèques ALE* and *titres services* purchased during a year. The *chèque ALE* system is gradually dismantled to the benefit of the *Titres-services* scheme and currently users can only purchase the following services: supporting services for sick people or children, help with administrative tasks, small gardening and minor repairs in the user's home.

In **Italy**, tax incentives have been introduced to incentivise the purchase of vouchers (*Buoni lavoro*). They differ depending on the type of service. The list of activities that are eligible for these vouchers is very inclusive (for instance including maintenance of buildings, seasonal and agricultural activities, organisation of sporting events, etc.). This voucher, as will be seen below, aims at regulating occasional work. For domestic chores, the employer can deduct up to a maximum of **1 549.37 €** per year from his/her own income, for compulsory insurance contributions paid in respect of home helps.

In **Germany**, private households can partly set off the costs for certain household related services from their income tax. According to the "Law to support families and household-related services", 20% of the costs for household-related services such as gardening, cleaning, laundry services or childcare services can be offset with payable income tax. In addition, also, 20% of the wage costs for craft services used at home (repairs, refurbishing etc.) can reduce income tax.

Debates in other countries

In other countries, the introduction of tax reduction is under debate. There is some transfer of ideas and exchange of good practices at the EU level. For instance in **Spain**, the French model is strongly supported by the Spanish Personal Service Association. The Swedish scheme took much inspiration from the Finnish experience. In its turn, the Swedish case has been mentioned in the debate in the **UK**⁽⁸¹⁾. In the **Netherlands**, the idea of a tax reduction was promoted in 2006 by the Council for Work and Income, in order to transform undeclared jobs into declared jobs⁽⁸²⁾. According to this opinion, based on academic findings, a new tax system could have a promising impact on several submarkets, in particular cleaning and personal counselling. However these proposals were rejected by the government.

Conclusion

For personal services, tax credit is the principal means observed, though there are different mechanisms. In some countries it is linked to other tools, like the use of vouchers as we see in the next paragraph. Tax incentives can also be linked to specific employment regulation in the sector or regarding occasional work (like in the Mini-jobs policy in Germany or also in the Italian case) as we will see later.

As national illustrations have emphasised, tax incentives can focus on housework services (like in Belgium), housework and care services (Luxembourg) or include a very broad range of activities (several in-house activities in France, renovation services included in Finland and Sweden). The economic crisis has had two contradictory effects on this scheme: on the one hand, it could be used to support sectors touched by the crisis, so as to avoid a stronger depression and an increase in undeclared work (as it has been the case in Northern countries); on the other hand, budgetary discipline has led many countries to limit the tax advantages given to consumers. Interestingly in the case of Finland, the two employment mechanisms (either bilateral or triangular relationships) are not subsidised equally.

We will analyse later the effectiveness of these mechanisms, in particular their cost effectiveness. We will also see who are the beneficiaries. Indeed, when individual choice is fostered through monetary incentives, it may happen that only the upper classes find it interesting or affordable. This is why such incentives need to be complemented by other mechanisms if the government wants to follow social policy objectives. The instrument used for tax incentives is not neutral. Tax deduction mechanisms exclude people who are not taxable because they earn too little. By contrast, tax credit systems are much more inclusive. It

⁽⁸¹⁾ "David Cameron tempted to offer tax breaks to hire cleaners". *The Guardian*, Friday 10 February 2012.

⁽⁸²⁾ Raad voor Werk en Inkomens, Huis houden op de markt. Advies persoonlijke dienstverlening, 26 January 2006.

should also be noted at this stage that tax incentives may raise other technical issues (depending on the mode of payment of income tax, either paid at the end of the year or under pay as you go systems). In Sweden, the immediate reduction of the price (thanks to the so-called “new invoice model”) has led to a massive increase in the use or declaration of these services.

2.2. The use of vouchers to develop formal employment in housework services

Vouchers can be defined as subsidies granting limited purchasing power to an individual to choose among a restricted set of services⁽⁸³⁾. In the field of personal and household services, their use has been growing in recent years, following successful experiences in some European countries. Vouchers can be seen as tools that would lie between in kind provision of services and cash distribution of income to be used (or not) for these services. Very basically, vouchers are simple means of payment. The payment can be integrally made by the user, or by a public financier, and mixed forms of payment with other actors can be imagined (e.g. companies paying for part of the cost⁽⁸⁴⁾ or insurance companies providing some services through this means).

In the field of care policies, the increasing use of vouchers has sometimes been analysed as an element of a current commodification trend that corresponds to an increase in what can be labelled a “social market” logic⁽⁸⁵⁾. Social markets mainly rely on demand-side measures, the aim being to ensure that users or consumers of services are offered more choice and are, financially speaking, able to purchase personal services. The market logic involves developing the demand side with the aim of transforming “latent” demand into effective demand. These social markets thus involve competition between different modes of provision, with the user receiving direct or indirect assistance from public authorities to make their choice.

In the field of “non-care” services, vouchers are being used mostly for the same reasons as those in the care sector, that is for a series of supposed advantages in particular regarding efficiency of public spending, expected impact on undeclared labour but also quality issues (quality of services and quality of jobs). A first advantage is freedom of choice. Under the logic of social markets, vouchers are supposed to allow for user choice between different types of providers (sometimes including public providers) or simply between providers of one single type (e.g. domestic workers). A second advantage is efficiency. Vouchers offer less freedom of choice than pure money but their efficiency is linked to the fact that the demand

is “channelled”, i.e. that it is oriented towards certain types of services or activities; moreover there is an efficiency for public finances as if not used, the voucher does not represent a cost for authorities. As well it is possible to imagine public policies targeting people with special needs. A third advantage is reduction of undeclared labour. Vouchers are meant to simplify the administrative procedures when employing someone to outsource housework tasks or care activities. In some cases, the purchase of a voucher does not entail the duty to sign a labour contract between the parties (as in France under specific conditions), which might have a negative impact on working conditions. Further, social security contributions are calculated automatically and directly paid. Because they considerably reduce administrative burden, vouchers are supposed to be a significant incentive for the use of declared labour rather than undeclared labour. Fifth, and finally, vouchers might foster quality of services. The partisans of the market-oriented and purchaser-provider model consider that it encourages innovation, flexibility and quality, as the market should eliminate the bad quality suppliers and encourage a user-oriented approach. As a Eurofound report notes: “The more actively involved service users are in determining the content of care, the more likely it is that care services will be greater suited to the individual’s values, culture, attitudes and circumstances. Empowerment of care recipients enables them to purchase their own care and have the security assurance of contractual rights. This can potentially influence the quality of care, as low standard care services would simply not be ‘bought’. At the same time, care recipients could tailor a care programme to their specific needs, again raising quality and improving delivery”⁽⁸⁶⁾. Voucher schemes could be steered in this direction, according to this report and to certain authors⁽⁸⁷⁾.

At the current time as far as the focus is on “non-care” activities, the most advanced experiences in the EU seem to be located in France and Belgium. These countries however have chosen very different approaches in developing a voucher system.

France

In **France, the first voucher, named the Chèque Emploi Service (CES)**, was created in 1994, in order to give access housework and household services, mainly housekeeping, gardening and childcare. Since its creation, the CES voucher has been coupled with significant tax incentives as seen above (50% of income tax). This voucher was well developed, as more than 1 million people used the CES in the mid-2000s. In 2005, the CES was replaced by the **Chèque Emploi Service Universel (CESU)** which is actually composed of two distinct

⁽⁸³⁾ We borrow on the definition used by DG EMPL in its First biennial report on social services of general interest (2008). This definition was mentioned to us by EFSI.

⁽⁸⁴⁾ As in the case of luncheon vouchers for instance.

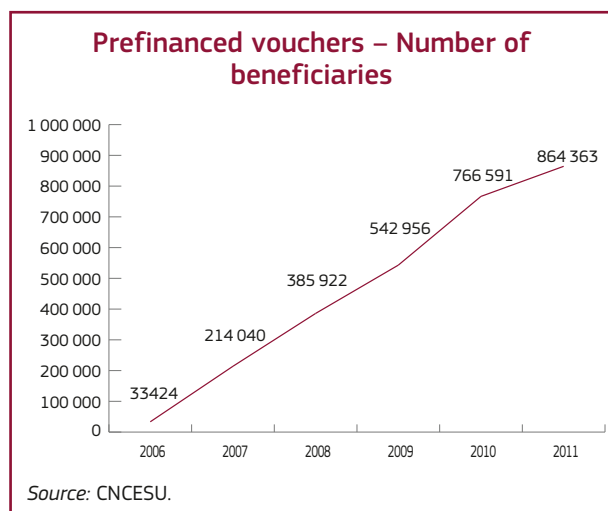
⁽⁸⁵⁾ Farvaque, Yonnet, IRS project Final Report, op. cit.

⁽⁸⁶⁾ European Foundation for the Improvement of Living and Working Conditions Report. 2006. *Employment in social care in Europe*. Luxembourg, Office for Official Publications of the European Communities, p. 75.

⁽⁸⁷⁾ For instance, see Ungerson C., “Give them the money: is cash a route to empowerment?”, *Social Policy and Administration*, vol. 31 no. 1, 1997, 45-53.

forms. First, a pre-printed chequebook named “declarative CESU” (*CESU déclaratif*), which consumers can get from their bank. This chequebook serves to declare the employee to a public administration and then is used as a proof of legal expenditure. This corresponds to the former CES and the only new element is linked to the development of its “dematerialisation”, i.e. the possibility to declare the worker on the web for instance.

The second type of CESU is a completely new form of voucher, named “**prefinanced**” CESU, as it is partly of fully financed by a third party: a company (the beneficiary’s employer for instance), a Works council, an insurance funds, a pension scheme, a local authority, etc. Firms or Works councils can buy them and use them as a “human resource” instrument (in its case it is called the “*CESU RH*”). Companies can benefit from tax reduction of up to EUR 500 000 per year when they dispense pre-financed vouchers to their employees. Each employee can get pre-financed vouchers up to EUR 1 830 per year. Local authorities and insurance funds can distribute vouchers to the needy (through the so-called “*Social CESU*”). The prefinanced CESU represented in 2011 more than EUR 640 million. There were 864 000 beneficiaries and their number has continued to grow since 2006 (graph). 12 500 organisations used it that year. In 25 % of the cases, it was used for childcare services.



The logic of these vouchers is to simplify the hiring of a service provider for some hours a week. Moreover this system guarantees the providers’ social rights. They can also be used to buy the services provided by a company or association (then the beneficiary will not be the employer of the person providing the service, just the recipient of the service), but this proves to be very rare. The reason is that the price of services provided by organisations is generally much more expensive than that of individual providers in the “direct employment” framework, because of higher structural costs. Therefore, the same voucher will permit the purchase of “more” of the latter type of service compared to the former. When local authorities distribute vouchers to certain categories of people (in some case social

aids and long-term care subsidies are provided this way), this might be at the disadvantage of provider organisations and this will favour direct employment mechanisms. This is not without consequences in terms of quality of employment and quality of service.

Belgium

In **Belgium**, the *Titres services* scheme is a federal policy, which was first introduced by a law in 2001 but really came into force in 2004. The initial aim was to create 25 000 jobs by the end of 2007. This objective of job creation was associated with other goals, like curbing the incidence of undeclared labour and improving work-life balance. The scheme is based on a voucher which enables the user to pay for housework activities only. The system is based on an arrangement between several actors: the issuing company (that issues the vouchers), the users, the employers, the workers and the Federal State which is the main financing party of the measure.

Titres-services vouchers may be used exclusively for housework carried out within or outside the user’s home. The list includes in particular the following activities: cleaning the house, washing, ironing, preparation of meals, shopping, etc. Care of dependent people is excluded, except for accompanying persons with restricted mobility requiring transportation.

Users are any individual who may purchase *titres services*, up to a maximum of 500 vouchers per year and 2 000 in specific cases (disabled persons, older people receiving assistance benefits, single parents, etc.).

Since the beginning of 2013, up to 400 vouchers, users pay EUR 8.50 each voucher. When a user buys more than 400 vouchers, each voucher costs EUR 9.50 (up to a maximum of 500 vouchers per year). With the 30% tax deduction, the voucher price is brought down to €5.95. One originality of the Belgian case is that it relies on a fixed price.

	Titres services – Price in EUR	Discounted price with 30% of tax reduction
January 2004	6.20	4.34
November 2004	6.70	4.69
June 2008	7.00	4.90
January 2009	7.50	5.25
January 2013	8.50 € up to 400 vouchers, 9.50 € above up to 500 vouchers	5.95

Purchasers need to address to registered firms or agencies to benefit from the services. At the difference of other national voucher system like in France, resorting to direct employment

Key indicators, *Titres services*, 2004-2011

	2004	2005	2006	2007	2008	2009	2010	2011
Number of companies	504	840	1 163	1 504	1 892	2 292	2 576	2 708
Workers during the year			61 759	87 152	103 437	120 324	136 915	149 827
Users	98 814	190 734	316 101	449 626	557 482	665 884	760 702	834 959
Number of vouchers reimbursed (million)	5.62	17.2	32.1	48.9	65.2	78.6	94.8	105.3
Number of vouchers sold (million)	8.11	20.3	35.9	53.1	73.6	78.2	97.1	109.1

Source: IDEA Consult.

has from the beginning been excluded from the scope of the measure. Users are compelled to purchase the services towards a registered company or agency. This characteristic of the Belgian model, i.e. a systematic triangular labour relationship, has been emphasised by many analysts as a way to improve working conditions.

From the point of view of workers, the system offers first a formal labour contract, and therefore they have the same rights as any other worker. It is a standard employment contract which can be either fixed-term or open-ended, full-time or part-time, and there are obligations for the employer to transform fixed-term contracts into open-ended contracts if the worker has been for more than three months in the company. In certain cases, employers can benefit from a reduction in their social contribution if they recruit long-term unemployed participating to activation programmes. In addition one can note that since January 2013, *Titres services* providers must hire 60% of job seekers and social allowances recipients.

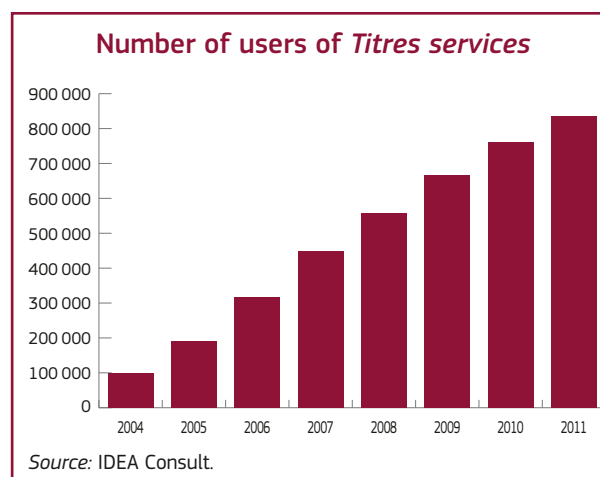
In terms of quantitative achievement, this voucher has gone far beyond expectations. In 2011, 835 000 users purchased at least one voucher during the year. In total, more than 100 million vouchers were sold that year⁽⁸⁸⁾. The effects in terms of job creation have been much higher than those originally expected (see later). Nearly 150 000 persons worked under the scheme during the year and this represents more than 160 000 jobs (the data is not put in full-time jobs). At the end of 2011, around 2 700 approved companies were present on the market.

The progression of users is equivalent to more than 100 000 new users each year. In terms of recourse rate or penetration rate, 10% of the individuals (17% of Belgian households) used

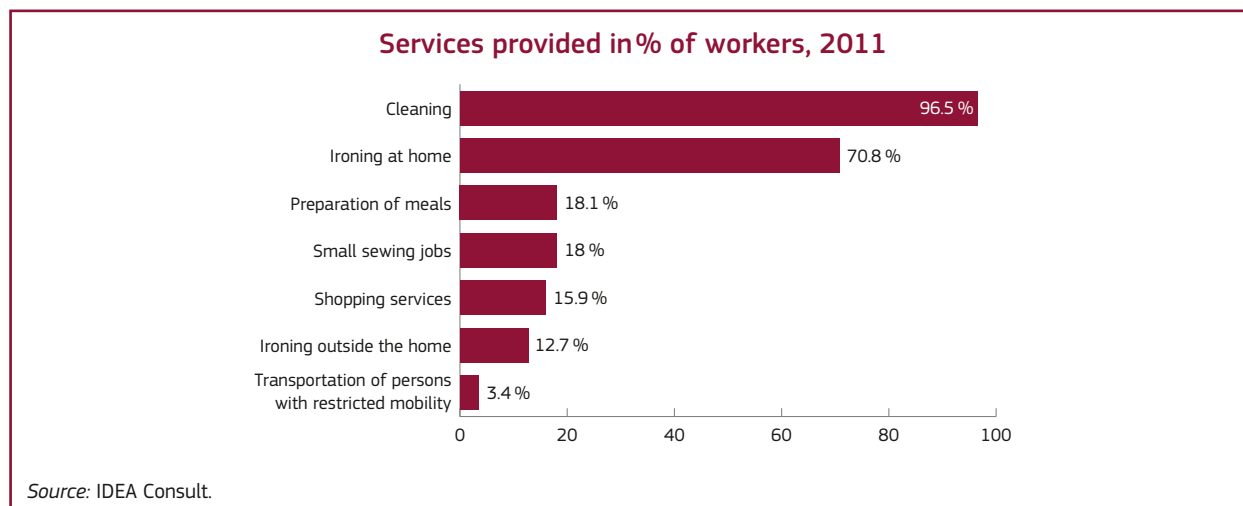
titres-services in 2011. In average, 127 vouchers were purchased by user in 2011.

The evolution of the scheme is impressive. The number of companies has constantly increased, from 500 in 2004 to 2 700 seven years later. Between 2006 and 2009, their number has doubled. This is also the same for the number of workers, which has passed from 60 000 in 2006 to 120 000 in 2009 and 150 000 in 2011.

The tasks done by the workers are presented below. The quasi-totality of workers have realised cleaning tasks. The second activity most often provided is ironing at home. The other services that can be done under the *titres services* system have concerned less than 20% of workers. According to the survey realised by IDEA Consult, 8% of the workers have also realised tasks that are not authorised by law, like childcare, eldercare or gardening.



⁽⁸⁸⁾ Otherwise indicated, the figures and data provide from the last assessment realised by IDEA Consult in 2012 for the year 2011. See G. Maarten et al., 2012, Evaluation du régime des *titres services* pour les services et emplois de proximité 2011, IDEA Consult.



Italy

In **Italy**, *Buoni lavoro* (labour vouchers) were created in 2003, in the context of a larger labour market reform law (also known as the “Biagi Law”). They were introduced with the aim of promoting inclusion in the labour market and of fighting against undeclared work. The article 4 of the Biagi Law provided for the implementation of measures aimed at **regulating occasional and accessory labour** and eliminating the main factors of distortion of the sector of housework and care services through the introduction of these vouchers whose use should have been certified, if needed. This measure was preceded by some official papers mentioning the Belgian system as a good practice to combat undeclared work⁽⁸⁹⁾.

The scope of these vouchers is accessory or occasional work. Indeed it includes domestic chores but also many other services – contrarily to the other countries seen above, the goal of these vouchers is not as much to develop this housework sector as to better regulate occasional work. Actually, the scope of implementation of this measure has been progressively broadened. In its first wording in 2003, the decree identified personal services as the main area of interest. Later on, the scope of use of vouchers was extended to a much wider set of different activities (e.g. agricultural services, activities in the area of commerce, tourism and services, sports or cultural events, trade fairs, door to door newspapers delivery, services carried out within stables and riding schools, etc.)⁽⁹⁰⁾.

What these very different activities have in common is the high spread of undeclared work. Compared to France or Belgium therefore, “the introduction of vouchers has not been the outcome of a clear and precise political will of development of a regular sector of personal services. Vouchers have simply been a tool to help the regularisation of undeclared work in whatever sector, if carried out in an occasional and accessory way”⁽⁹¹⁾.

⁽⁸⁹⁾ White Paper on the Labour Market issued in 2001 by the Italian Government.

⁽⁹⁰⁾ See list in Annex 9 (<http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventId=854&moreDocuments=yes&tableName=events&typeId=92>).

⁽⁹¹⁾ A. M. Sansoni, *op. cit.*

All the activities listed in the law article must be carried out in an occasional and discontinuous way and can not replace the activities effected habitually. This can also explain why, contrarily to what happened in Belgium and in France, no quantitative objectives in terms of employment creation have been fixed.

Indeed, occasional activities or “*prestazioni di lavoro occasionale accessorio*” are professional activities characterised by an occasional and accessory nature and that can not be traced back to standard employment relationships (either dependent or self-employment ones). Moreover there is a strict definition of the persons who are entitled to work under the voucher system: long-term unemployed, housewives, students and retired people, disabled and people in rehabilitation centres, and non-EU citizens, if legally resident in Italy and within six months from the beginning of unemployment.

Many differences with France or Belgium are also to be noted. In Italy the choice has been made to promote **only direct employment with no role for any intermediaries has been designed**. In comparison, Belgium only supports services provided by an organisation while in France the system is broader (either organisations or direct employment). Today, the activities covered by this framework are the box below.

Another important difference is that non-profit organisations can also use the voucher, in addition to private households. The initial measure in 2003 only identified families, public authorities and volunteer organisations (but only for emergency and solidarity works) as beneficiaries of the voucher system. Some amendments later opened the market to local authorities, family enterprises (with an annual limit of EUR 10 000) and agricultural entrepreneurs (provided that their annual turnover does not exceed EUR 7 000).

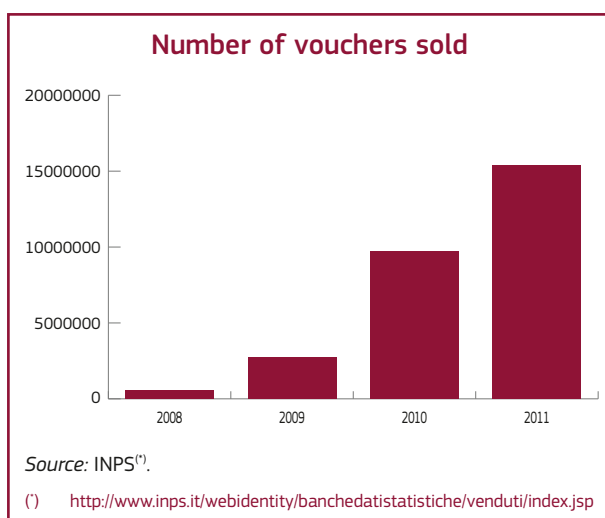
In 2010, **the face value of vouchers was set at EUR 10**. After the payment of social security and insurance contributions, the **net value for the worker is EUR 7.50**. A voucher is not necessarily associated to a working hour, since the user and the worker can define a different hourly price, but should

be considered instead the minimum compensation for each working hour.

Concerning limits or ceilings in the use of the voucher system, a very peculiarity of the Italian measure is that the limit is put on the employees' income and not on the user's level of purchases. Indeed, a person can be employed under the Buoni Lavoro scheme only up to a certain amount of income perceived. In 2003 this upper limit was 3 000 EUR per year. The 2003 decree also provided for a time criterion: the supply of accessory labour per worker could not exceed 30 days per year. However, the precise interpretation of this limit was rather difficult, and the criterion was then eliminated. These limits have been subsequently reviewed. In 2010, they stand at EUR 5 000 (net) per year per worker per single user, with some few exceptions. In 2012 a new change occurred⁽⁹²⁾: the limit is brought to EUR 5 000 but is now considered as a total of all the contractors perceived by the worker and not related to the individual customer. In the case of services provided to the business entrepreneurs or professionals, the limit for each customer is fixed at EUR 2 000. As Sansoni writes:

"Here, the key difference compared to the foreign examples is that the limit concerns directly each worker's income, and not the maximum number of vouchers that can be purchased by users. As a consequence, the profile of individual users is not taken into account in the design of the system, whereas in the Belgian and in the French case, vulnerable users have the right to purchase a higher number of vouchers, in order to meet their daily needs, and are consequently entitled to higher social and fiscal incentives."

As seen in a previous section, tax incentives have been introduced to incentivise the purchase of vouchers (for domestic chores, up to a maximum of € 1 549.37 per year).



⁽⁹²⁾ Labor reform (Law No. 92 of June 28, 2012) changed the rules occasional accessory: amending Articles 70 and 72 of D. Decree no. 276/2003, set out the payment for the service through the so-called good work (voucher).

The financing is made by the State (tax exemptions), Regions (which have the competency for personal services and are in charge of employment policies) and the social security system (INPS).

In total, around 1.5 million of vouchers were sold in 2011 and the progression has been important since 2010.

As it appears, the voucher is mainly used in the agricultural sector and the housework sector is very marginal in the whole. In 2009 more than one voucher out of two was used in the agricultural sector. The share of services to individuals only represented 10% of the vouchers purchased, a share that is equal to that of the tourism and commerce sectors (see Annex 9⁽⁹³⁾). A main issue lies in the lack of a supportive network to the implementation of vouchers, especially in the sector of personal services⁽⁹⁴⁾.

The analysis made by Ana Maria Sansoni suggests that in Italy, tools have been created without an underlying clear policy design. In what regards the sector of personal and household services, "the use of vouchers has not been the consequence of a clear policy design for the development of a regular sector of personal services"⁽⁹⁵⁾. The understanding of the rationale behind the policy is not clear. According to the author, it is necessary that Italy chooses a real model in order to promote a regular sector of personal services, defining what types of services are on offer (only comfort services or also care services), who are the providers (public and/or private sector, for profit or non-profit...). She claims for the creation of a system in which employment relationships are regulated through a triangular scheme, similar to that one in force in the case of employment through agency.

Austria: the reasons of a failure

In **Austria**, successful legal initiatives were implemented in 2007 to reduce informal (migrant) employment in the household related care sector. Currently 80% of 24-hour-support service is carried out legally. However, in domestic work the situation is similar to Germany, i.e. most of the work is carried out informally. In contrast to Germany, not large successful public schemes exist to support housework services. Vouchers are nevertheless on offer, namely "Dienstleistungsschecks". However these vouchers have not been a success. Only 1 000 cheques are sold each year. The reason is the price: while vouchers have a nominal value of EUR 5 or EUR 10, the informal market price of a domestic worker is estimated between EUR 8 and EUR 10; thus the instrument is not really interesting to use.

⁽⁹³⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typeId=92>

⁽⁹⁴⁾ A. M. Sansoni, 2010, Limits and potential of the use of vouchers for personal services: a comparative study across Belgium, France, and Italy. PhD. Dissertation, Università Degli Studi Di Modena E Reggio Emilia.

⁽⁹⁵⁾ Id.

According to the Austrian Ministry of Work in November 2010, since its launch the number of recipients of “Dienstleistungsscheck” developed moderately:

- in 2006, the sales volume of the vouchers was EUR 1 million, and in 2009 it was EUR 2 million
- between 2006 and 2009, 6200 employees (4800 women and 1400 men) were hired by 7200 employers using “Dienstleistungsscheck” vouchers (4700 women and 2500 men)⁽⁹⁶⁾.

In March 2012, the Austrian Chamber of Labour estimated that in 2012 around 2870 people were purchasing “Dienstleistungsscheck” vouchers monthly in Austria. Generally, “Dienstleistungsscheck” vouchers are only used for short, limited employment contracts (maximum one month) and take into consideration the compliance with the “Geringfügigkeitsgrenze” (limit of earnings where no taxes need to be paid) of €386.80 per month for the employee⁽⁹⁷⁾.

A further instrument is the provision of housework services by welfare organisations. This service is performed by persons which are disadvantaged on the labour market, i.e. long-term unemployed) and is very expensive: the costs for the welfare organisation are around EUR 25 per hour and acceptance by private households are « bought » by significant state subsidies/funding (provided by the labour market authorities)⁽⁹⁸⁾.

Other local experiences to develop vouchers in the non-care sector

So far only national initiatives have been mentioned. Some local voucher initiatives also exist. Two **Dutch** cases can be mentioned, while having in mind that except a reduced VAT rate on personal and household services in the Netherlands, there is no further general policies to support the sector.

In some local authorities (like Tilburg or Breda for instance), voucher systems are being experimented under the name of *Alpha cheques* since the beginning of 2010. Local authorities can distribute these vouchers to people entitled to care help (WMO) rather than to provide the help in kind. With these vouchers, beneficiaries can receive the services from employees who are employed under the regulation on domestic work. For local authorities, the advantages are its flexibility, financial attractiveness and its direct character (directly given to customers).

Some evaluations have emphasised the cost-efficiency of this experimental system, as local authority can gain 5 to 6 EUR per hour delivering “Alpha cheques” instead of services in kind⁽⁹⁹⁾. However some actors in the field of care and health fear that

this system might lead to a dumping on prices and point out the fact that the workers are not entitled to social security when employed through these vouchers⁽¹⁰⁰⁾.

Another initiative is the WZSW project (*Wonen, Zorg en Service in de Wijk* - Housing, Care and Service in the District) initiated in 2003 in the city of Tilburg with different local partners. Provided services are gardening, homework, shopping etc. The price of the voucher is 22 EUR and corresponds to one hour of work. People over 65 or people with disabilities can benefit from lower prices (6 or 11 EUR for one voucher).

The system differs from the Alpha Cheque because here there is no need to be entitled to care grants. This project is associated with active labour market measures in order to help people to get back to employment. This is an example of what can the municipalities do with their own budget consisting in social and unemployment benefits.

Another case study was found in **Germany**. In the federal state “Saarland” financial subsidisation of household and personal services similar to the French cheque-service-System has been carried out⁽¹⁰¹⁾. This means financial foundation only occurs if the service is demanded and effects employment. Different to other approaches, foundations for service agencies depend on their services. Moreover, it does not bias wage structure due to public funded social contributions and it also is more preferable in terms of “equality” because higher income households do not have an advantage via tax reductions. Major difference to several other initiatives is the fact that private households must not become employers to benefit, rather their sovereignty as consumer is enhanced. The proposal links wage subsidies to subsidies for service agencies which reflects the critique of the “Minijob”-system. Due to the author, these generate costs but do not induce higher employment. Fields of activity for persons who do not have a high education level exist in sectors where work can be done on one’s own. Even though, attractive prices at the “black market”, high costs can occur afterwards. Service agencies can help to organise and establish household related services via quality guarantees. Saarland does indeed not subsidise agencies, but demand side via tax reduction to fill the gap between prices and black market prices.

Agency expenses for domestic work per working hour

Per working hour	EUR 16.63
Net wage via customer	EUR 10.43
Subsidy needs	EUR 6.20

Source: Konrad-Adenauer-Stiftung, 2006.

⁽⁹⁶⁾ These data were communicated to us by EFSI.

⁽⁹⁷⁾ Id.

⁽⁹⁸⁾ See IWAK Report, op. cit., p. 20/21.

⁽⁹⁹⁾ See DGCIIS Report, op. cit.

⁽¹⁰⁰⁾ Comment made by the Dutch Federation of Public Health, in DGCIIS report, op. cit.

⁽¹⁰¹⁾ Most information taken from: Görner, 2006: Agenturen für haushaltsnahe Dienstleistungen – ein Modellversuch im Saarland. Konrad-Adenauer-Stiftung, Berlin. Online available: http://www.kas.de/wf/doc/kas_9823-544-1-30.pdf?080121141840.

During the model period it is possible for private households to reduce their costs of using household and personal services provided by AhA (agency for household related services) about maximal 155 € per month⁽¹⁰²⁾. Prerequisite for government subvention is the indeed usage of services and that consumers pay at least 12.10€uro per hour. Total costs estimates for federal government in the case of 1 000 jobs amount to EUR 3.7 million to EUR 5.4 million. On the other hand, benefits/returns via tax payments and social security contributions to an amount of EUR 4.7 to EUR 4.9 are expected. Hence, according to a study by McKinsey this subvention policy is cost neutral or even has a positive economy-wide effect. Experiences in the first two years were highly promising: In nine agencies, 129 persons are employed – most of them are part-time workers. They supply 549 private households. Moreover, the demanded hours of services increased from 2400 in October 2005 to 6600 in June 2006 and the majority of customers demand housework help on a regular base. The AhA characterise that most employees are liable for social security payments, they pay a minimum hourly wage similar to the NGG-collective agreement, and employment at the agency is independent of previous unemployment.

Many other local voucher systems exist throughout the EU in the field of care services, in particular to deliver childcare services but also, increasingly care to the elderly. Many local authorities have found it useful and efficient to resort to this system. Being given the scope of the present study, these initiatives in the field of care have not been reviewed.

2.3. New regulation on employment

Policies implemented to support the development of PHS can also rely on a **regulatory approach**, that is, an evolution of the regulation on employment with a view to facilitate the recruitment of workers in the sector.

In the 2000s, **Slovenia** took several measures intended to turn undeclared work into registered work⁽¹⁰³⁾. Interestingly this reform introduced a new category of employment called “small work”. It was defined as work carried out by someone who is not a full-time employee (working a maximum of 20 hours a week or 40 hours a month, with the wage not exceeding 50% of the minimum wage), does not perform freelance work and is not receiving a pension. The employer must register such a person for social security and wage-related contributions. After registration, the Employment Service pays the pension and health insurance contributions of these persons if their monthly earnings do not exceed the amount of the minimum wage. This step consequently enables these workers to have social security cover and encourages the possibility of registering their activities. The performance of such work does not require an employment contract under the Employment Relationships Act. This measure has only benefited to a few number of people, in different sectors of the economy (in particular in agriculture). Around 15% of the beneficiaries were in the housework service sector.

Synthesis

Comparison between the three vouchers

	CESU (FR)	Titres services (BE)	Buoni Lavoro (IT)
Main objective	Simplified labour contract	Subsidising the housework sector	Regulate occasional work
End-user service	Individuals/households only	Individuals/households only	Also enterprises and organisations
Providers	Private workers: anyone, ordinary legislation. Companies: submitted to authorisation.	Only authorised provider organisations	Initially limited to some specific categories of workers (the goal being to regulate occasional work)
Type of employment model	Either direct employment or provider organisations, but massively used under direct employment framework	Triangular relationships. Direct employment (households as employers) is not authorised	Direct employment
Type of services	Personal services provided at home, including care	Personal services provided at home, excluding care	Very large as defined against the framework of occasional activities (also includes agricultural activities for instance). Housework services represent less than 10%
Price	Price is flexible	Fixed price of voucher	Fixed price of voucher
Public help and limitations	Tax deduction (50%): based on the beneficiaries' income	Tax deduction (30%) Maximum number of vouchers/year	Based on the employees' incomes: limit fixed at EUR 5 000 considered as a total of all the contractors perceived by the worker and not related to the individual customer

Source: Own research and Sansoni, 2010.

⁽¹⁰²⁾ Subsidy about 6.20€uro per hour for max. 25 hours per month.

⁽¹⁰³⁾ Eurofound (EIRO), Measures to turn undeclared work into regular employment, Slovenia, 2002: <http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/si002.htm>

In **Hungary**, the principal regulation today as far as domestic chores are concerned is the household work regulated by the Act XC of 2010. This is the first – and so far only one – step towards directly regulating personal household services in Hungary. The main intention was making visible a “sector” that was previously invisible for the national economy. The functioning goes as follows. The “employer” – household – is only paying a **monthly registration fee** of 1 000 HUF (EUR 3.5) regardless of the number of employment days. This payment’s due date is the 12th day of the following month. If the employer fails to fulfil this notification obligation (at the National Tax Authority) and/or to pay the fee, he is then required to pay all necessary taxes and contributions related to the remuneration of the employee in the given month. The registration obligation is at the National Tax Authority.

Any remuneration that the employer provides to the household employee is not considered as income under the tax system. The household employee may ask the employer for a certificate of the income gained. For the time being, neither the employer nor the employee have obligations related to reporting this income. Regardless of the payment of the registration fee the household employee is not considered insured, therefore, is not entitled to social security benefits or health care.

This functioning also means that it leaves people who work only for households without social protection. In that case, the household worker may choose to pay a single monthly fee of 6 660 HUF in 2013 (around 22.5 EUR) for health contribution. Also, one may pay a single amount monthly⁽¹⁰⁴⁾ for pension contribution in accordance to the requirements of the Central Administration of National Pension Insurance, so as to be entitled for a minimum pension and full health care service.

However, in quantitative terms, this measure has not proved to be really popular. Since its introduction, the highest number of employee registrations was in November, 2011 (491 employees), and employer registrations (462 employers) in December 2011. For both category the total number for one month has never exceeded 500. Undeclared work remains prevalent, because of the unlikelihood of controls and sanctions from Labour Inspectorate and a lack of trust in public policies, making that people are reluctant to declare and pay social contributions to the State. As well, presumably many employers are not aware of their registration obligatory.

For the period 1997–2010, Hungary had implemented another regulatory strategy called *Booklet for Temporary Work* in order to whiten employment in the black market. The law enabled the employer and the employee to pay their social and tax contributions in an easier way – only a tax stamp (“*közteherjegy*”) was needed to be placed in the booklet (for more details, see

⁽¹⁰⁴⁾ At least 31 620 HUF / month if the base of the agreement between the individual and the authority is the minimal wage.(source: www.onyf.hu)

Annex 10⁽¹⁰⁵⁾. The model now exists in the improved form of “simplified employment”.

In **the Netherlands**, a specific, derogatory status for workers in the housework service sector has been adopted for several years now. Alongside well-developed measures in the field of care services for dependent persons, the “non-care” sector is supported through a logic **promoting direct relationships between employers and employees**, by means of a specific status for employees which follows a logic of flexibilisation, so as to encourage formal employment. A regulation for housework services was introduced in 1998 (*Regeling Schoonmaakdiensten Particulieren*). Its aims were to expand the market for private cleaning services, to help the integration of people with difficulties on the labour market and to formalise undeclared work. One of the tools used was to give subsidies to long-term unemployed in counterpart of them taking a job in this sector. This regulation was little used. Several new regulations have then succeeded⁽¹⁰⁶⁾. It was first replaced by the Regulation on exempt domestic workers (*Regeling vrijgesteld huispersoneel*), which defined a specific status for the relationship of the private domestic worker and the client, alternative to the classic employer–employee relationship. The consequence of this specific status is that both parties were exempt from paying taxes and social security contributions on domestic work, as long as it did not exceed two days a week. The domestic worker only had to pay the annual income taxes from this work. There is no obligations in terms of notice period for instance⁽¹⁰⁷⁾. The hired person has to report the income in their yearly income tax. Compared to the former regulation, this regulation does not longer gives subsidies but consists in a reduction of the labour cost (exemptions from social contributions). The idea is also to activate social benefits (people moving from social benefits to this kind of jobs).

A new regulation was implemented in 2007, namely the Regulation on domestic work (*Regeling dienstverlening aan huis*)⁽¹⁰⁸⁾. The 2007 regulation has increased the period of exemption from two to three days of domestic work a week. At a maximum then, the employer can hire the employee for three days a week, either one hour, several hours or the whole day. Indeed, a part of a day for one client counts as one work day. Thus, for example, the domestic worker can work for three days of four working hours for one person, three days of four hours for another person and three days of four hours for a third person. In the case of more than three days of work for

⁽¹⁰⁵⁾ Annex 10 also provides with costs elements of the different type of employment and schemes now regulating occasional work in Hungary. <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typeld=92>

⁽¹⁰⁶⁾ Eurofound (EIRO), Regulation of domestic work, Netherlands, 2009. <http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/nl001.htm>

⁽¹⁰⁷⁾ The employer has to pay the vacation allowance of 8% and to maintain the salary (at least 70%) during 6 weeks in case of illness. Social insurances (sickness, unemployment, invalidity...) are not compulsory and can be subscribed on a voluntary basis.

⁽¹⁰⁸⁾ Eurofound (EIRO), Regulation of domestic work, Netherlands, op. cit.

one person, the classic employer–employee relationship applies, including all of the legal obligations of this relationship.

In this regulation, domestic work typically includes jobs in the household such as cooking, cleaning dishes, housecleaning, doing the laundry, shopping, small repair and maintenance jobs in and around the house, childcare, car driving and gardening. The wage cannot be inferior to the minimum wage.

This new regulation of the labour market for personal services is accompanied since 2010 by a reduced VAT rate on personal and household services.

This flexibilisation logic can sometimes be compared to that of the “*mini-jobs*” in **Germany**. Mini-jobs have been also introduced as a derogatory employment model to stimulate job creation in particular in this sector. In both these countries there is a combined flexibilisation-activation approach towards personal and household services. Originally designed in particular for employment in private households, the specific German form of “Minijobs” have been introduced as a form of public supported marginal employment in the context of “Hartz”-reforms of the social-democratic and green coalition government in April 2003. The main aim of the creation of mini-jobs was the creation of jobs in particular for unemployed people and to support the transformation of undeclared work into formal employment by a reduced level of social security payments both by employers and employees (and thus creating incentives for employers as well as jobless people to take up work).

The system of Minijobs enables private households to use a **simplified procedure for registering domestic workers** (via the so-called “*Haushaltsscheckverfahren*”). The translation of this term is “domestic voucher procedure”, so also here we could speak about some kind of voucher-system. However we have preferred to present this measure as one illustration of how regulations on work can be modified in order to stimulate job creation.

In the Mini-Jobs system, employee may earn up to EUR 400 (EUR 450 from January 2013 on) per month without paying any taxes and social security contributions. Further special rules for private households as employers exist: They profit from reduced tax rates for social security contributions (14.34 per cent flat rate contributions including shares for health pension and accident insurances as the most important articles) and income tax reduction schemes (20% of their costs, maximum EUR 510)⁽¹⁰⁹⁾.

In June 2012, there were 243 743 persons working in households as a Minijobber⁽¹¹⁰⁾. Nevertheless, as we will see later, this impact on employment has gone with a massive increase

⁽¹⁰⁹⁾ Minijobs/Geringfügige Beschäftigung. Online available: <http://www.bpb.de/politik/innenpolitik/arbeitsmarktpolitik/55335/minijobs?p=all>

⁽¹¹⁰⁾ Minijobzentrale, 2012: II. Quartalsbericht 2012 Aktuelle Entwicklungen im Bereich der geringfügigen Beschäftigung. Deutsche Rentenversicherung Knappschaft-Bahn-See, Essen.

of low pay and precarious forms of employment including the emergence of “working-poor”.

Other countries have implemented schemes which logic is to **activate jobseekers** by offering them opportunities in the housework sector, by means of specific tools or specific status. **Poland** has implemented “activation contracts” in order to try to regularise undeclared work in the mid 2000s⁽¹¹¹⁾. Under this regulation, employing households could claim tax deductions, while domestic workers were to benefit from social and health insurance contributions. In practice, this scheme was hampered by the bureaucratic conditions which both sides of the employment relationship had to meet, along with minor incentives which were offered to justify this effort. At the same time, the workers themselves preferred to continue engaging in undeclared work under a special understanding with the householder. In **Portugal** in the 1990s, the Local Development Initiatives were intended to stimulate and support the creation of small enterprises and activities that help to create employment and boost the economy of local communities. Specific reference is made to the objective of creating local services, particularly within the framework of social welfare for children, the elderly and the disabled⁽¹¹²⁾. In **Belgium** as already seen before when analysing the voucher systems in place, we saw that the first one created in the 1990s was directly targeting jobseekers and was managed by the local employment agencies (*Chèque ALE*), quite closely to the Polish experience.

In these countries, personal and household services have been considered as a receptacle for employment and activation policies. In all these cases the starting point is that jobs in this sector are seen as low qualified and that almost anyone can do these jobs. This is however a representation that denies the particular competencies, in particular relational, that are required to perform well these tasks and that might go against a professionalisation of the sector (see below).

In other countries like **the UK**, the level of regulation is much lower. In terms of public policies, there has not been any particular measures targeting the sector in the UK. As the Eurofound report on household services stated in 2001:

“the role played by European and national policies in creating household services employment has been emphasised many times (...) it is nevertheless necessary to specify that in several countries (France, for example) this role has been more important, while in others, such as the UK, most of the development of household services can be attributed to market changes”⁽¹¹³⁾.

⁽¹¹¹⁾ Eurofound (EIRO), 2009: Regulations for legalising domestic work, Poland. <http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/pl006.htm>

⁽¹¹²⁾ Guerreiro M., 2000, Employment, Family and Community activities: A new balance for women and men. Portugal. <http://www.eurofound.europa.eu/pubdocs/2000/120/en/1/ef00120en.pdf>

⁽¹¹³⁾ Cancedda, op. cit.

The functioning of the sector therefore relies on a proper functioning of the market. Household employing housework staff are submitted to the same rules than any other private employer. There is no tax or social security contributions reductions, even though the Government looked interested by the Swedish tax credit scheme in the beginning of 2012 (see above). There is however one general labour-market measure that can be here mentioned because it directly impacts this sector. This measure concerns the **regulation of “occasional work”** in the UK. There is no legal obligation to declare occasional work when it is paid less than EUR 146 a week (EUR 181), this being the threshold for liability to social security contributions⁽¹¹⁴⁾. Moreover, under EUR 125 a week, workers are not liable to income tax (pay as you earn system). This peculiarity of the British model conduces many households to recruit for very short working times, without neither administrative duty to undertake nor social contributions to pay.

New regulations can also be taken to offer new guarantees and more security to employees, as in Spain. From 1985 to 2012, workers in domestic jobs were covered by a “special employment relationship” that gave them a very weak status in terms of protection and rights, compared to standard workers. These weaker rights were indeed due to the low level of social security contributions that employers and employees were required to pay (Annex 11⁽¹¹⁵⁾).

Being applied since 1 January 2012, a new regulation now considerably improves the rights of domestic workers⁽¹¹⁶⁾. This new regulation affects around 700 000 workers. On such aspects as wages or working times, it now puts domestic workers on a same par as normal employees in other sectors. The Minimum Interprofessional Wage will now apply to household workers and must be paid in currency rather than in kind. Householders will be allowed to make some deductions from wages for accommodation or maintenance although these may be no more than 30% of the agreed wage. The remainder, paid in currency, must amount to no less than the Minimum Interprofessional Wage. Previously, employers could make deductions of up to 45%, even if this left a worker with less money actually paid to them than required by the Minimum Interprofessional Wage. The statutory maximum working week of 40 hours will apply to domestic workers as will the statutory minimum length of rest between working days of 12 hours – previously 10 hours for household workers. As well, workers are now included in the social security system, which was not the case thus far. Social security contributions are reduced for domestic workers. Thus the

⁽¹¹⁴⁾ Kergueris, French Senate Report, op. cit., p. 70. Wages comprised between EUR 107 (lower earnings limit) and EUR 146 (primary threshold) are not liable to social tax contributions, however workers are nevertheless entitled to social rights (unemployment and pension), as if these contributions would have been actually paid. This is not the case anymore for wages under EUR 97 (corresponding to working less than 16 hours a week for a wage equal to the minimum wage; under this working time people are considered as unemployed and can receive unemployment benefits).

⁽¹¹⁵⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92>

⁽¹¹⁶⁾ see Eurofound (EIRO), Spain: New regulation improves rights of domestic workers, 2012: <http://www.eurofound.europa.eu/eiro/2012/02/articles/es1202011i.htm>

income subject to social security contribution calculation is diminished. From 2014 until 2018, the threshold will be increased in the same proportion as for the Statutory Minimum Wage. Another major change is also the requirement for a written contract of employment once a working relationship has lasted for more than four weeks.

Whereas this new regulation aims at offering new guarantees and more security to domestic workers and to foster their transfer from the shadow to the formal economy, the first estimate (August 2012) reveal that 74 524 domestic workers, previously registered in the former special social security scheme, were not affiliated in the new scheme. In addition, according to the latest survey on labour force, almost 222 000 persons working in the domestic sector are not affiliated. Furthermore, the system introduced heavy and complex administrative obligations to household hiring a domestic worker that might be detrimental to the overall objective⁽¹¹⁷⁾.

2.4. Developing the supply-side

In comparison to these many examples of public policies in the demand-side (implemented through direct or indirect subsidies to consumers, with an aim to reduce the final price, as seen above), only a few countries have implemented measures in the supply-side of the market for personal and household services.

Actually, two types of approaches have been followed. On a first hand, some countries have encouraged entrepreneurship and the emergence of a supply side in the form of companies (be they for-profit or not-for-profit). On the other hand other countries have rather encouraged the emergence of an individual formal supply-side through immigration measures, like in Italy or Spain.

Concerning the first type of approach, **France** is the country where most measures have been taken to develop the supply-side, particularly through the emergence of entrepreneurs or companies. The sector in France has been given impetus by a series of public policies since 1991. In 2005, the so-called Borloo Plan insisted (among other things) on the necessity to give more visibility to the supply-side and to encourage the development of new providers. This plan relies in a “industrial” approach to the development of the sector⁽¹¹⁸⁾, consisting in several ideas. First, the housework sector can only develop with a public support either given to users (subsidy) or to the employers (cut in social taxes with specific advantages given to not-for-profit organisations). In all cases the aim is to reduce the price paid by the consumer. According to this perspective, these schemes (already put in place since the early 1990s) should to be temporary and not been made permanent. The idea is to foster the use of these services; once the consumer will be accustomed to them (and supposedly will appreciate the

⁽¹¹⁷⁾ The data included in this paragraph were communicated to us by EFSI.

⁽¹¹⁸⁾ Mainly due to the works of Michèle Debonneuil, an economist who participated to the elaboration of the Plan. See Cahuc, P. and Debonneuil M. (2004), *Productivité et emploi dans le tertiaire* [Productivity and employment in the tertiary sector], Economic Analysis Council Report to the Prime Minister, Paris: La Documentation Française.

new life-style associated to it), then public support should diminish. Second, it is necessary to create the conditions for productivity gains in the sector, which will enable providers to reduce their price. Productivity can be increased through a better professionalisation, better production process (for instance using IT in back-office) and a better work organisation; a certain minimal size looks necessary to absorb these different fix costs.

In 2005, a dedicated administrative agency, called “*Agence nationale des services à la personne*” was created so as to promote the sector and the voucher CESU, and to develop both the supply and the demand. Private companies were also encouraged to operate on the market – so far they were limited to do so because of not benefiting the same advantages than the non-profit sector. Corresponding to the industrial approach to the development of the sector, the creation of a national, large “platforms” (*enseignes nationales de services à la personne*, the word “*enseigne*” actually meaning “trade-mark”) have been encouraged by public authorities. Several companies and organisations have cooperated to create different platforms offering a spectrum of services, guaranteeing a minimum quality. These platforms act as intermediaries between the demand and the supply; they provide information and put potential or actual clients in relation with several authorised providers near their home. For instance, the main employers union in the non-profit sector created a platform with a union of local authorities and a mutual insurance company. Private banks, insurance companies or large retailers have also created their own platforms. Around 20 large platforms were put in place after the Borloo Plan. However these large platforms did not succeed in being central actors of the market. Today, the structure of the market remains deeply characterised by a predominance of direct employment, which represents more than 70% of the declared market.

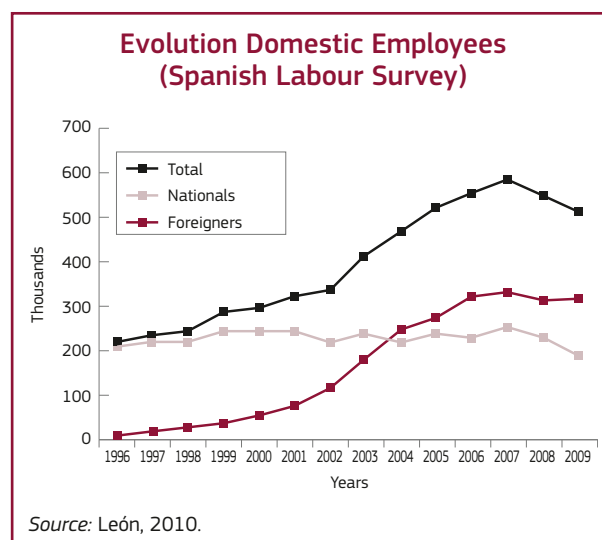
Concerning the second type of approach, i.e. the development of a formal, individual supply-side, immigration policies have played a crucial role in some countries. When such a formal supply side is lacking, this encourages the resort to informal solutions, possibly informal employment of (irregular) immigrants. In **Spain** at the beginning of the 2000s, an increasing immigration had occurred at a time when the sector of household employment was poorly regulated. As put by Eurofound in 2002,

“With rising numbers of women in paid employment, housework is now increasingly being done by other women on low wages. Instead of being shared by the various members of the family (which is difficult due to the increase in the working time of family members in present-day society and the continuity of a culture that assigns these tasks to women), housework is now performed in many cases in the underground economy by poor women, often immigrants”⁽¹¹⁹⁾.

The situation was that, as some immigrants are illegal, some have to accept poor conditions in order to obtain legal

employment that will allow them to obtain a residence permit. This is an obstacle because they tend to accept any type of employment relationship in order to obtain to survive and regularise their situation⁽¹²⁰⁾. In 2005, a massive regularisation of immigration was decided by the Spanish government that resulted among other things to a limitation of this kind of “strategy” (accept any job so as to obtain a residence permit). Almost 200 000 people, mainly women, were granted work permits in the household sector. “In the extraordinary regularisation process carried out in Spain in 2005 by the Spanish Ministry of Labour and Social Affairs, 32 % of the applications were related to employment in the housework service sector, and 83 % of the workers within this sector were women”⁽¹²¹⁾.

This immigration policy can explain why there has been such an increase in the number of domestic workers in recent years. While the number of Spanish domestic workers has remained unaltered since 1996 (at just over 200 000), the number of foreign domestic workers has risen from 15 500 in 1996 to 320 000 in 2009 (see Graph below). The share of foreign employees was equal to 7 % in 1996 and was superior to 62 % in 2009. Nowadays the domestic sector “is not just highly *feminised* but also remarkably *foreignised*”⁽¹²²⁾. The increase over the last fifteen years in the number of domestic workers is to a large extent due to the incorporation of female foreign workers into the sector. Whereas during the period 1987-1997 the sector was losing employees (-25%), during 1998 and 2008 the number of employees has more than doubled⁽¹²³⁾. From a formal statistical point of view, there is a strong correlation between the number of female immigrants in the country and the global increase of the size of the sector.



⁽¹²⁰⁾ Id.

⁽¹²¹⁾ E. Peterson, 2007, *The Invisible Carers: Framing Domestic Work(ers) in Gender Equality Policies in Spain*, *European Journal of Women's Studies* 2007; 14; 265.

⁽¹²²⁾ M. León, 2010, *Migration and Care Work in Spain: the domestic sector revisited*, *Social Policy and Society*, Volume 9, No. 3, July.

⁽¹²³⁾ CAUCES - Cuadernos del Consejo Económico y Social, Fall 2009, *Observatorio de Relaciones Laborales: El empleo de la rama de hogares en la crisis: cuestionando algunos tópicos*.

⁽¹¹⁹⁾ Eurofound (EIRO) 2002, *Spain: Domestic work examined*, <http://www.eurofound.europa.eu/eiro/2002/05/feature/es0205206f.htm>

Italy, as Spain, has a large share of informal employment in private households, with a high proportion of (illegal) immigrants⁽¹²⁴⁾. As put by Simonazzi and Picchi, “so far, the Italian politics have oscillated between legislation strategies (like the one in July 2006 when 517 000 immigrants received legal status) and implicit toleration of the informal.” One can see here as well the role of national immigration policies on the constitution of a supply side. The large influx of immigrants,

illegally or legally arrived, provides the domestic sector with a large, low-paid, workforce. In the field of care for older people, a recent phenomenon that has been mediatised across Europe is that of the employment of undeclared “*badanti*”. The word comes from the verb “*badare*” which means to take care. The word has progressively been used to define the emerging profession of personal carers and its development based on the use of informal employment.

2.5. Summary of measures

Predominance of bilateral or trilateral employment relationships

Predominance of bilateral employment relationships – high share of undeclared employment	AU, DE, NL, SP, IT, HU
Mixed model with predominance of bilateral employment relationships	FR (70%)
Predominance of trilateral employment relationships	BE, DK, FI, SE, UK

Main measures: a synthetic table

Form of support	Main characteristics	Examples
On demand: reducing the price for consumer		
<i>Reduced VAT rate</i>	Application of a reduced VAT rate on a list of services = about 15% of price reduction for final user No VAT applicable	France (large perimeter), the Netherlands Germany
<i>Exemptions of social contributions</i>	Direct employers (households) or organisations benefit from social exemptions	France, Spain
<i>Tax credit/reduction scheme</i>	Either tax reduction (for taxpayers only) or tax credit (more universal). Variable perimeters • Large: FR, FI (including care) • Home services, including renovation services: DK, SE • Reduced: BE (domestic chores) Attached to the use of vouchers (IT) or Mini-job scheme (DE)	Level: • France, Sweden: 50% • Finland: 40% if provided by organisation, 15% if direct employment • Belgium: 30% • Germany: 20% • Denmark: around EUR 2 000 from income tax • Italy: 1 549€ from income tax Ceiling for households: • FR: EUR 12 000/year • SE: around EUR 12 000/year (6 000 for one single person) • FI: EUR 4 000/year • DE: EUR 4 000/year • LU: EUR 3 600/year • BE: EUR 2 400/year

⁽¹²⁴⁾ A. Simonazzi, S. Picchi, “Italy”, in IWAK Report, op. cit.

On demand: facilitating demand		
Vouchers	<p>End-users:</p> <ul style="list-style-type: none"> • Individuals/households only (FR; BE) • Also enterprises and organisations (IT) <p>Providers:</p> <ul style="list-style-type: none"> • Only authorised provider organisations (triangular relationships) (BE) • Anyone, ordinary legislation. Either direct employment or provider organisations, but massively used under direct employment framework (FR) • Initially limited to some specific categories of workers (the goal being to regulate occasional work) (IT) <p>Services:</p> <ul style="list-style-type: none"> • Personal services provided at home, excluding care (BE) or including care (BE) • Very large as defined against the framework of occasional activities (also includes agricultural activities for instance) (IT) <p>(nota: specific care vouchers not analysed here)</p> <p>Tax deduction:</p> <ul style="list-style-type: none"> • Based on beneficiaries' income (FR) or against a maximum number of vouchers/year (BE) • Based on the employees' income (IT) 	
On demand and supply: regulation of employment		
<i>Flexibilisation of work and cost reduction associated with activation programmes</i>	<p>Specific programmes (and sometimes with specific status) targeting unemployed persons to get back into work in the sector of personal and household services.</p> <p>Reduction of price when associated with social security tax exemptions for employers</p>	<p>DE: Mini jobs programme. Reduction of cost when recruiting unemployed person</p> <p>BE: specific voucher for recruiting unemployed persons</p> <p>NL: less duties and taxes for employers recruiting occasional workers</p>
<i>Specific regulation on house work</i>	Facilitation of recruitment / making visible the black market	<p>HU: new law on domestic work. No social contribution, employer only pays a monthly registration fee of 1 000 HUF (EUR 3.5) regardless of the number of employment days</p> <p>SP: shift from a status allowing weak rights to a new, more advantageous, one</p> <p>UK and other countries: regulation of occasional work</p>
Supply-side		
<i>Structuration of the market</i>	<p>Creation of a central, national governing agency (FR)</p> <p>Support to private companies (FR)</p> <p>Authorisation of providers (FR, BE)</p>	
<i>Increasing the quantity of formal suppliers</i>	Immigration policies	IT, SP with an important impact on the regularisation of service providers (domestic workers in SP, badanti in IT)

3. Impact of public policies on job creation and reduction of undeclared labour

3. Impact of public policies on job creation and reduction of undeclared labour

This chapter analyses the impact of public policies on job creation in personal and household services. As seen above, public policies have been implemented under different forms in several European countries. Their main goal is to support job creation in the formal sector and therefore, correspondingly, to combat undeclared jobs.

To have an overview of the effects of these policies in terms of job creation, one has to rely on the existing statistics at national level. However, many methodological difficulties arise. In countries where the scope of “personal services” is large and dissociated from existing statistical nomenclatures, such as in France, it is very difficult to rely on labour force surveys – though this is normally the principal database to use. Moreover, beyond the issue of the perimeter, there is another measurement issue which is linked to the peculiarities of jobs in the sector. As shown by Marion Lefebvre in her work on job quality in the French sector of personal services, there are many difficulties to count jobs because of their specific characteristics: part-time jobs and very short working times are very widespread, job rotation is high, employees may have several employers (“multi-employers”) and may work under different employment schemes (they can be directly employed by households and employed by one organisation), etc. (125). When analysing such a plural situation, one has to come to grips with complex theoretical and normative issues, such as “what is a job” and “what should be counted as a job?”. As Marion Lefebvre asks,

“should a paid activity, realised a few hours a week, be counted as a job if the person has another professional activity besides? Does it become a job if this person doesn’t have a professional activity? Should one account for all the persons that have at least once in the year worked in the sector? Or for all the persons who are working in the sector at one given time? Or only the persons who say this is their main activity?” (126).

As a result, statistical conventions about what is considered as a job have immediate impacts on the analysis and assessment of public policies.

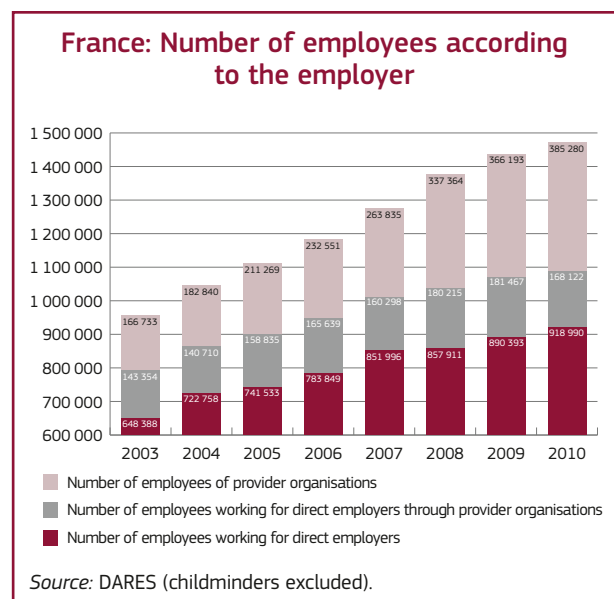
In a first part we rely on the analyses of job creation made at national level in the following countries: France, Belgium,

Finland, Sweden and Germany. In a second part we give a more detailed look at the impact of public policies on undeclared labour in personal and household services. Interesting figures are available for France, Denmark, Finland, the Netherlands, Germany, Spain and Hungary. In a third part we rely on existing cost-benefit analyses to assess the efficiency of public spending in this field of the economy. We finally raise the issue of the redistributive character of these policies in a fourth part.

3.1. Job creation

In France, more than 330 000 jobs representing 500 000 full-time jobs created from 2005 to 2010

In **France**, the number of employees has increased by 47% between 2003 and 2010, with an average annual growth rate by 6%. There is today **almost 1.5 million people employed in the sector**. This represents around **500 000 full-time jobs** (127). These figures cover the whole sector of personal and household services, i.e. including care services.

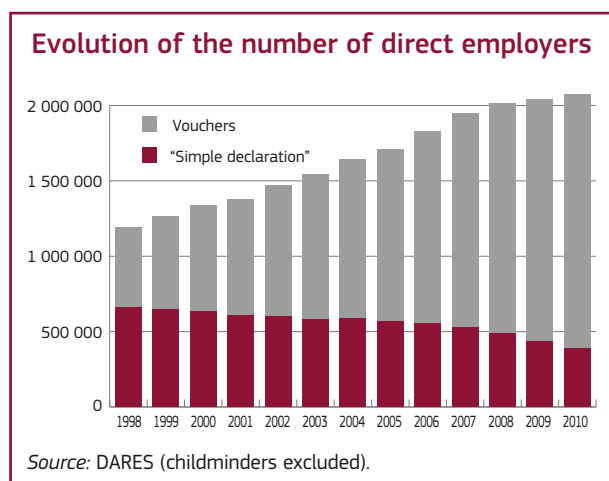


(125) M. Lefebvre, *Qualité(s) de l’emploi dans les services à la personne: entre régulations publiques et professionnelles*, PhD dissertation, University Lille-1, 2012.

(126) *Ibid*, p 288.

(127) Figure calculated on the basis of the total of hours provided in 2008 (nearly 800 million).

France is characterised by a constant increase in the number of direct employers. Direct employment remains the main form of employment, with more than 1 000 000 employees under this form in 2010, including those of them passing through the intermediation of a company – the so-called “mandataire” regime. Direct employment represents 70 % of the sector (around 350 000 full-time jobs), while employees in companies or organisations represent 30 % of the sector (around 150 000 full-time jobs). In 2010, there were 2.15 million of direct employers in the field of personal services. This figure has increased by 63 % from 2003 to 2010, corresponding to an average annual increase by 4.9 %. As the following graph illustrates, the number of direct employers using **vouchers** has steadily increased, doubling from 38 % in 1998 to 75 % in 2010.



Between 2005 and 2010, i.e. after the launching of the so-called Borloo Plan in 2005, more than 330 000 jobs were created. But they only represent 52 000 full-time jobs, which gives an idea of the very short working times in the sector. Between 2010 and 2011, 11 000 jobs were created (around 1 700 full-time jobs)⁽¹²⁸⁾. Over the period 2006-2008, jobs created in the personal service sector represented 15 % of the job creations in the French economy (even 30, % during the year 2008)⁽¹²⁹⁾. However the quantitative results are not as important as anticipated (500 000 jobs were evoked) at the launching of the Plan.

The 2005 Plan has also had an impact on the development of private-for-profit companies. They represent 21, % of the activity in 2010, compared to a 13, % in 2008. The number of employees still represents a small share of total employment (around 10, %), but it has increased by 10 in five years (90 000 workers in 2010, compared to less than 9 000 in 2005).

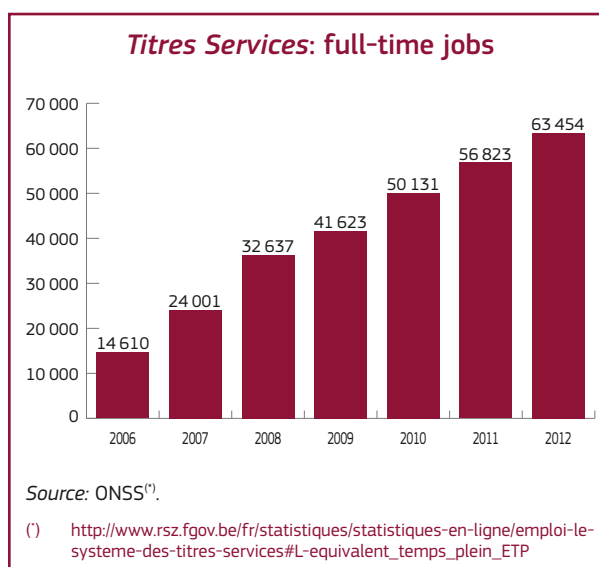
⁽¹²⁸⁾ Oliver Wyman, *Services à la personne: bilan économique et enjeux de croissance*, op cit. Childminders (assistantes maternelles) not included.

⁽¹²⁹⁾ Cour des comptes, 2011, *La politique en faveur des services à la personne*.

Belgium: more than 100 000 jobs created since 2004

According to the last annual assessment made by IDEA Consult, in 2011 nearly 150 000 persons have worked under the scheme during the year and this represents more than **160 000 jobs**. Unfortunately the data is not put in full-time jobs in this report.

According to the ONSS (Social Security National Office), in 2011 this represented more than **56 000 full time jobs**, and in 2012 more than **63 000 full-time jobs**.



Finland: more than 4 500 full-time jobs created after the tax reductions

The **Finnish** tax reduction came into force in 2001. In 2004, the amount of jobs created or existing in the sphere of housework services was estimated to amount to around **10 000 full-time jobs** (Niilola, Valtakari, 2006). In terms of **net effect** (i.e. taking into account the cases of the tax deduction had a decisive impact on the purchase), the authors estimate to 3 500 work years, that is around **4 600 jobs**. This net impact is calculated using the results of a question in the consumer survey. Would the tax deduction not exist, 55 % of actual users of the tax deduction would have purchased the services; this proportion is 34 % for cleaning services and 62 % for renovation services.

The figures show that the tax deduction has first of all benefited to the construction sector. 84 % of the total net work years were in male-dominated repair and renovation (70 % of the jobs) and 14 % in the female-dominated cleaning services (26 % of jobs). As a result, the impact on housework sector is only around 1 000 jobs created. However according to the authors, the jobs created due to the housework help credit are market-based and permanent, and do not displace other jobs.

Sweden: 14 000 jobs in renovation services and more than 4 000 in housework services

Several reports have assessed the outcomes of the two tax incentive schemes presented above, one concerning domestic chores (RUT-advantage) and one concerning renovation services (ROT). According to Företagarna (Swedish Federation of Business Owners), **18 000 new full-time jobs** were created thanks to the two schemes in the two first years of implementation (2007-2009): 14 000 in the renovation sector and 4 000 in the housework sector⁽¹³⁰⁾. The outcome is really positive according to this federation as both schemes have allowed many people to move from unemployment or undeclared work to declared employment. The public scheme also stimulated the creation of new companies.

For the year 2009, the evaluation of the number of new jobs created was 4 000 (full-time jobs) for housework services⁽¹³¹⁾. Taking more recent data that integrate the important growth from 2009 to 2010, the estimation of new full-time jobs **in the housework sector rises up to 5 000**⁽¹³²⁾. Almost all of this part is assumed to have been moonlighting, or non-existent, previously.

Germany: more than 240 000 “Mini-jobbers” in private households

Depending on different statistical sources, the number of employees in housework services varies significantly:

- The Eurostat figures for Germany are based on the figures of national accounts (“*Volkswirtschaftliche Gesamtrechnung*”) and estimate the total number of employment at 892 000 in 2011 as an annual average (see table 3, Annex 12⁽¹³³⁾);
- In contrast to this there are micro-census data that calculate data on the basis of household surveys at only 227 000 as an annual average in 2011;
- And finally, statistics of the public labour administration and the public administration for minor jobs (“*Minijobzentrale*”) indicate that in December 2011, a total of around 275 000 workers that are subject to social security contributions were employed by private households (see table 1 and 2, Annex 12⁽¹³⁴⁾).

⁽¹³⁰⁾ Företagarna, Två år med ROT och RUT (Two years with ROT and RUT), August 2010. <http://www.foretagarna.se/Aktuellt-och-opinion/Rapporter/-2010-/Tva-ar-med-ROT-och-RUT/>

⁽¹³¹⁾ The calculation is the following. In 2009, tax deductions amounted to over SEK 900 million, which correspond to expenses on the market (including VAT) of nearly 2 billion. With an average hourly rate (including VAT) of SEK 300, this corresponds to approximately 6.7 million hours worked, or approximately 4 000 full time jobs. Calculation made by Företagarna, Två år med ROT och RUT (Two years with ROT and RUT), August 2010.

⁽¹³²⁾ On the basis of 7.6 million hours worked in 2010. Evaluation from the Tax Agency. <http://www.skatteverket.se/omskatteverket/press/presmeddelanden/riks/2011/2011/rotochrutavdragetharskapatvitajobb.5.5fc8c94513259a4ba1d8000154.html>

⁽¹³³⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92>

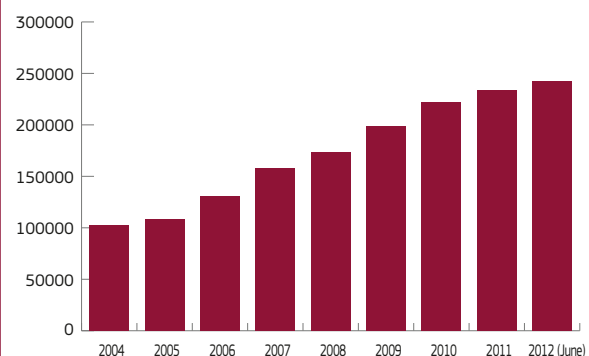
⁽¹³⁴⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92>

The gap in particular between the national accounts data and the figures of labour administration bodies have been explained partly by differences in calculation but in particular also with reference to the large share of informal work in the sector⁽¹³⁵⁾. According to various sources, informal employment in private households in Germany is particularly high: it is estimated that even 90-95 % of employment takes place informally⁽¹³⁶⁾.

However, it is clear that the most important form of employment in the housework services sector is either informal work or marginal work, the so-called “Mini Jobs”. Created in 2003, they have since then increased very fast both in private households as well as in the private business economy. This form of employment is publicly supported by reduced tax rates for social security contributions (flat rate contribution of 14.34 % if a worker earns up to EUR 400.

The number of employees working in households as “*minijobber*” has more than doubled from 102 000 in 2003 to more than 240 000 in 2011 (see table 2, Annex 12⁽¹³⁷⁾ and graph below).

Marginal workers in private households: 2004 – 2012, (2004 – 2011: as of 31st December)



Source: Knappschaft Bahn See: Aktuelle Entwicklungen im Bereich der geringfügigen Beschäftigung, II. Quartal 2012.

3.2. Public policies and the black market

As reported above, estimations of the share of undeclared work in personal and household services in EU countries range from 15 % to more than 90 %. This part is dedicated to a comparative overview of the impact of public policies on the reduction of undeclared labour. The analysis relies on original methodologies as, by nature, it is not possible to have a clear statistical portrait of the black market in this sector as in the others. This is why some surveys compare what the households officially declare in terms of social

⁽¹³⁵⁾ See: Gottschall and Schwarzkopf, 2010: Irreguläre Arbeit in Privathaushalten. Arbeitspapier 217 Hans-Böckler-Stiftung, Düsseldorf.

⁽¹³⁶⁾ IWAK, op. cit.

⁽¹³⁷⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92>

contributions paid (that is, a measure of declared employment) with what they answer to household surveys (which can give an idea of undeclared employment, even if not an official accounting).

Belgium: effect of the Titre service voucher

In Belgium, jobs created within the Titres service system have massively reduced undeclared employment. It is estimated that housework was mainly provided on the black market before this scheme was implemented, because households did not agree to pay for the cost of a declared worker (around EUR 20). In the 1990s, of the 600 000 households who used personal services (domestic services), only 7% of them used declared labour⁽¹³⁸⁾.

France: two thirds of hours legally paid would provide from a whitening process

An increase in the number of consumers and a reduction of informal employment: an estimation of the “reintegration into formal economy” effect

In France, as a consequence of the massive support of public policies, the number of hours in PHS legally provided has strongly increased over the decade 2000, particularly after 2001. According to the French Ministry of employment, the number of legally provided hours has increased from 530 million hours in 1998 to 800 million in 2008⁽¹³⁹⁾. According to INSEE (National institute of statistics) **around the two thirds of these hours legally paid on the market provide from a “whitening” of previous undeclared activities**⁽¹⁴⁰⁾. In effect, in ten years from 1996 to 2005, the proportion of user households has passed from 8.7% to 9.9% according to household surveys (declarative data, whereby one might declare having purchased undeclared labour) compared to an increase from 6.4% to 10.3% according to fiscal data (official data)⁽¹⁴¹⁾. This increase covers two phenomena:

- **One third** of the new declared consumers are households who experience for the first time these services;
- **Two thirds** of these new declared consumers were formerly employing persons in the black market⁽¹⁴²⁾. The impact of public policies can be estimated at this light.

Another indicator is that in 2011, 12% of direct employers say that tax deductions have led them to declare services that were so far not declared⁽¹⁴³⁾.

⁽¹³⁸⁾ Kergueris, French Senate report, op. cit., Annex 2: p. 21.

⁽¹³⁹⁾ S. Ould Younes, 2010, Les services à la personne: une croissance vive en 2007, atténuée en 2008, Dares Analyses n° 2010-020.

⁽¹⁴⁰⁾ C. Marbot 2008, En France, qui recourt aux services à domicile ? France portrait social, 2008 edition, collection Références, Insee.

⁽¹⁴¹⁾ See methodology in Annex 13 (<http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventId=854&moreDocuments=yes&tableName=events&typedId=92>).

⁽¹⁴²⁾ This result is estimated comparing the two rates (22%/76%). One needs also to take into account that the survey data might minor the real level of black market as not all the interviewees have admitted to have resorted to it.

⁽¹⁴³⁾ BIPE-ANSP, Baromètre des emplois de services à la personne, 2011.

The share of black market would represent around 30% of the sector in 2005; this is to be compared to a previous estimation by 50% in 1996

In total, according to this comparative method, the share of black market would represent 30% of the market, as declared services have increased by 76% while the general consumption of these services (declared or not) has increased by 22%. These estimates are based on several statistical assumptions due to the constraints linked to the databases⁽¹⁴⁴⁾.

This result is to be compared to an estimation around 50% of the share of black market in personal services in 1996⁽¹⁴⁵⁾.

Denmark: impact of the Home service scheme and its suppression

An effect on household's outsourcing behaviour rather than on undeclared jobs

Danish policies have evolved quite a lot over the last two decades, as presented above. After a first phase where large policies were implemented to develop housework services, based upon tax incentives for all households, these measures have been considerably restricted in recent years and limited to older people. EIRO has summarised the different evaluations of the Home service scheme⁽¹⁴⁶⁾. This scheme has had an impact on the declaration of regular work. According to a 2001 survey, 75% of the users had previously carried out the activities themselves and about 10% had previously bought cleaning activities as undeclared work⁽¹⁴⁷⁾. This means that the scheme transferred jobs from do-it-yourself activities and undeclared work to regular work. According to the report, the Home service scheme had reduced the users' time on do-it-yourself activities on cleaning and garden work by about 3.5 million hours or the equivalent of **around 2 100 full-time jobs**. Overall, it seemed that this scheme rather had attracted other customers than those demanding undeclared work. It thus appeared that the scheme had developed a new market for these activities previously done on a do-it-yourself basis.

The suppression of the scheme: a return of undeclared work

The scheme created in 1994 was substantially modified after 2000 (reduction of the tax reduction from 50% to 35%

⁽¹⁴⁴⁾ In particular that in between 1995 and 2005, the share of households under-declaring their recourse to black market is constant.

⁽¹⁴⁵⁾ Flipo, A., 1996. Les services de proximité de la vie quotidienne. Insee Première, vol. 491. Paris.

⁽¹⁴⁶⁾ EIRO, Denmark: Home service scheme, 2001. <http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/dk001.ht>.

⁽¹⁴⁷⁾ Erhvervsfremmestyrelsen, 2001a, pp. 46–47. Erhvervsfremmestyrelsen, *Baggrundsrapport. Samfundsøkonomiske konsekvenser af hjemmeserviceordningen* [Background report. Economics of the home service scheme], 2001a. Available online at: <http://www.oem.dk/sw2923.asp>

Estimation of the increase in regular employment and reduction of undeclared jobs

	Estimation of jobs created (work-year)	Jobs which would have existed anyway*	Undeclared jobs (former estimation)**	Undeclared jobs (new estimation)***	Undeclared work into regular
Renovation	9077	6082	3467	1399	2068
Cleaning	880	289	179	75	104
Total	9957	6371	3646	1474	2172

* around 32% of purchasers of cleaning services would have bought them anyway (62% for renovation services).

** Results of 2004 survey: 62% for cleaning services according to entrepreneurs' survey (57% for renovation).

*** Results of 2006 survey: 26% for cleaning services according to entrepreneurs' survey (23% for renovation).

Source: Niilola and Valtakari, 2006, p. 84.

or even suppressed for some activities) and in 2004 it was only addressed to pensioners. According to a 2006 survey, it emerges that though undeclared work declined between 2001 and 2005, this global reduction actually masks an increase of female undeclared labour⁽¹⁴⁸⁾. In 2001, 13.8% of women in 2004/2005 carried out undeclared work, compared with 11.5% in 2001.

One explanation for this development, provided by the author of this study, is that when the Home service scheme was limited to elderly people, more people began to buy their cleaning activities as undeclared work. In other words, the scheme has created a new market for state-subsidised cleaning activities. People had become used to having their cleaning done by others. **When the scheme was abandoned, they instead bought their services as undeclared work.**

Finland: a reduction of undeclared jobs from 60% to 25%

Finland's measures to develop home-based services have also had an impact on undeclared work, but rather in the field of home renovation services than housework chores. The analysis is based on an entrepreneurs' survey. According to the entrepreneurs' own estimate, **the share of undeclared work would have diminished to 60% to around 25% in 2004**, in similar proportions for both sectors⁽¹⁴⁹⁾. In total, it can be estimated that more than 2000 jobs would therefore have moved from the informal sector to the formal one. However, as the following table shows, this reduction has mostly occurred in the renovation sector. Regarding housework services, only a hundred jobs can be said to have shifted from the black sector to the legal one (Table below). The analysis is based on the extrapolation of several survey results, in particular the fact that in 2006, around 32% of purchasers of cleaning services would have bought them anyway, i.e. if there would not have been any tax incentives (62% for renovation services). This indicates that housework services are twice much more sensitive to public subsidies than renovation services.

⁽¹⁴⁸⁾ Larsen, C., *Nyt fra Rockwool Fondens Forskningsenhed*, April 2006 [News from the Rockwool Foundation Research Unit, April 2006], 2006.

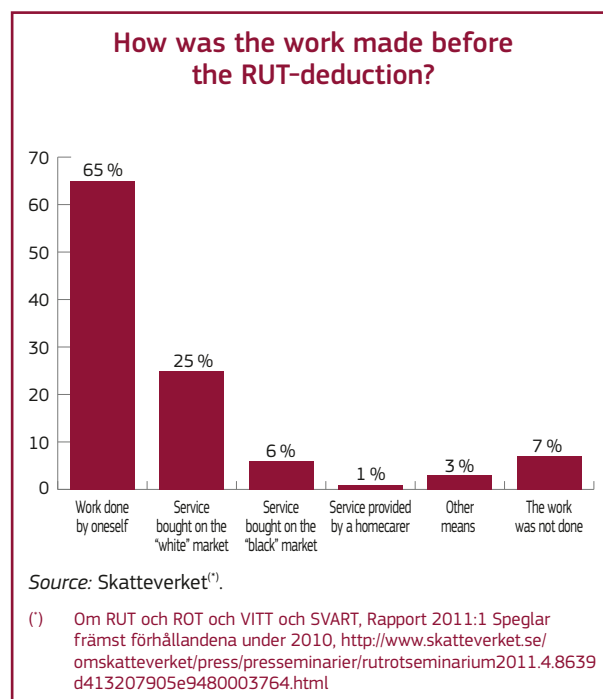
⁽¹⁴⁹⁾ Niilola, Valtakari, op. cit.

Sweden: impact of tax reductions on moonlighting and attitudes towards black market

Impact on the reduction of undeclared jobs

Concerning the creation of new declared jobs, the employer organisation Företagarna considers that the tax rebate is an effective weapon against moonlighting. There exists a survey among entrepreneurs concerning the ROT-reduction (on renovation services), showing a significantly positive impact on reducing moonlighting (80% of companies believe this is the case) but there is no such figures for the RUT-reduction on housework services⁽¹⁵⁰⁾. For the employer federation, all indications are that results are similar in the RUT-sector.

According to a survey led by the Swedish tax agency (Skatteverket) in 2011, attitudes towards black employment have changed. 88% of people respond that they do not find it

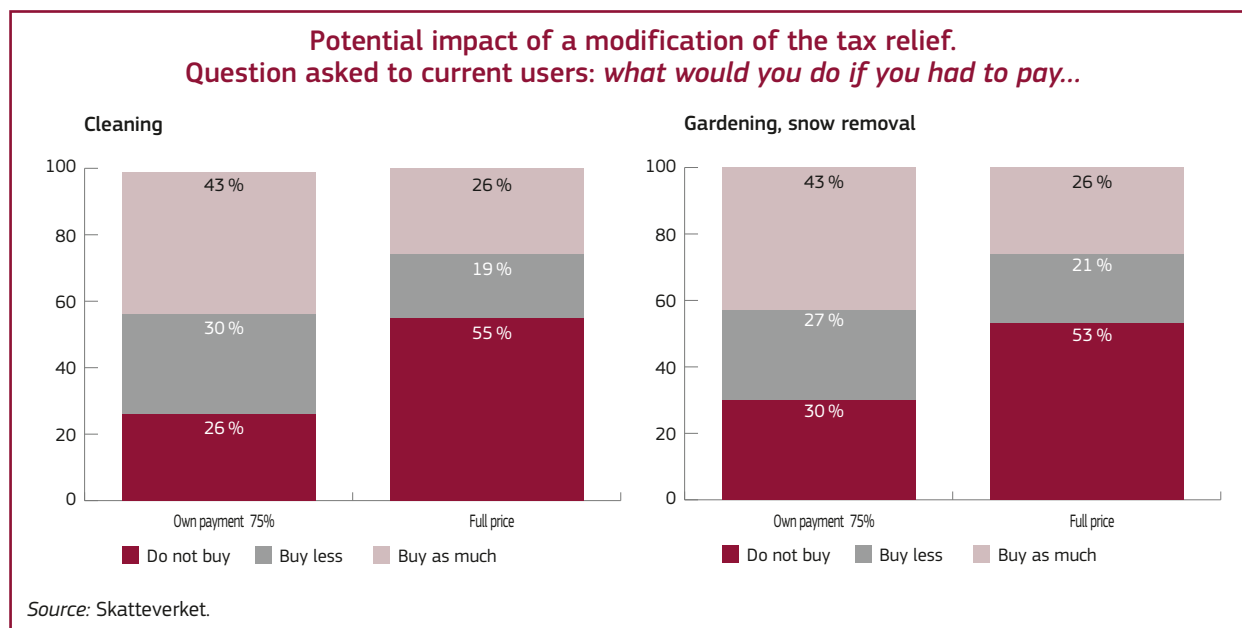


⁽¹⁵⁰⁾ "Ros och Ris om ROT-avdraget". A study of attitudes to tax relief of 1857 companies in the construction industry. Företagarna, december 2009.

Conversion of cleaning services from black hours to white hours

	Households having bought black services in the past	Number of black hours bought
Number of RUT-users who have already bought black services before (2010)	14 000	0.9 million
Results from the 2005 survey	147 000	7.4 million
Evolution	-10%	-11/12%

Source: Skatteverket.



normal to buy cleaning services on the black market (and in a similar proportion renovation services)⁽¹⁵¹⁾.

Other figures from this agency provide useful information. According to a survey among users, many of those who have started buying RUT services report that they previously performed the work themselves instead (see graph below). This indicates a high proportion of “externalisation” from households to service providers, from a private informal task to a marketised service. As well, 6% of people used to buy the service on the black market.

At least 10% of reduction of black hours for cleaning services

The conversion of black services into white services can be assessed in the case of cleaning for instance. The results of a 2005 survey on black jobs can serve as a comparison point (Table above).

According to these figures, in 2010, 14 000 users already bought housework services on the black market before, for a total of around 900 000 hours – two figures that of course

⁽¹⁵¹⁾ <http://www.skatteverket.se/omskatteverket/press/pressmeddelanden/riks/2011/2011/rotochrutavdragetharskapatvitajobb.55fc8c94513259a4ba1d8000154.html>

might be under-estimated. In 2005 the estimations were much higher. Indeed one can **estimate a drop of 10% of the black market since 2005.**

However for Skatteverket, this is certainly a minimum evaluation for a certain number of reasons. First, some new RUT-users have never bought on the black market before and directly used white services. Furthermore, some might as well currently be modifying their practices and their agreements with providers to progressively shift from black to white.

Sensitivity to prices and possible impact on declared jobs

Survey results show a large sensitivity of RUT-users to price as the following figures show. Two assumptions have been tested by the Tax administration among users: a reduction of the tax deduction (from 50% to 75%) or a suppression of it. In the case of a reduction of the deduction, around 30% of the users of the services would buy less and another 30% would not buy the service any longer. 43% of the users would keep on buying the services, which indicate that they have been accustomed to it. In the case of a suppression of the tax advantage, more than one consumer out of two would not buy the services anymore. Such a decision would threaten between 5 000 and 6 000 jobs.

Spain

Overview of informal and undeclared employment

According to the AESP, there were 1.7 million hours worked both on formal and informal market in 2009, while the informal market represented nearly **70% of the market**⁽¹⁵²⁾. Here are included all the kinds of personal and household services, including care services.

According to several estimates, the share of undeclared jobs (whole economy) in Spain has progressively diminished over the 1980s and 1990s, from 25% in 1986 to around 15% in 2003⁽¹⁵³⁾. This corresponds to the important modernisation of the Spanish economy during this period.

Concerning personal and household services, the only national estimates dates back from 1985, when **60%** of housework services were estimated to fall in the undeclared sector.

When comparing data surveys with social security data, it is possible to measure **irregularity in employment as comprised between 11% (strict approach) and 21% (large approach) in 2007-2008**. In 2009, this rate of irregularity decreased to between 6% (strict approach) and 15% (large approach) (see methodology in Annex 14⁽¹⁵⁴⁾). Compared to the estimations presented just above, these figures might look as being nevertheless minored.

There also exists some estimations of the importance of undeclared employment in some **regions**. A research done by the Observatory of Employment in the Navarra region estimates a level comprised between **40 and 66%**⁽¹⁵⁵⁾. The 40% figure provides from a questionnaire survey and is certainly underestimated according to the authors. Indeed it was measured taking into account the people who have to pay social contributions for housework employees (as they are employed for more than 20 hours a week) and who say they have not paid these contributions. The 66% figure provides from another survey estimating that 5.3% of the active population is not declared in Navarra, among whom 81% work in housework or personal services (around 12 000 workers). In comparison, only 4 300 workers were registered under the Special regime for domestic workers. The ratio thus indicates around 2 workers out of 3 in irregular employment. At an even more local level, qualitative

research shows that formal contracts in this type of work are really rare and that irregular employment is certainly higher than these figures⁽¹⁵⁶⁾.

Germany

It is estimated that around **80%** of all domestic work takes place informally performed by (illegal) migrants as well as neighbours, friends or undeclared work⁽¹⁵⁷⁾.

The situation of informality of employment in housework services in Germany is characterised by a number of vicious circles that are quite specific for the sector. First of all informal employment and undeclared work are regarded by households as well as employees as a rather trivial offense. As a recent survey on undeclared work in the housework service sector shows, nearly 10% of German households indicate that they have already employed someone for domestic work illegally⁽¹⁵⁸⁾.

Undeclared work is particularly widespread in care and support for the elderly performed by workers from Central and Eastern Europe. The number of undeclared workers from this region is estimated at between 100 000 and 150 000⁽¹⁵⁹⁾.

There have been a number of studies that have tried to estimate the economic effects of legalisation of informal work in housework and household related services. One study has been carried out by the Institute of the Germany Economy, Cologne, in 2009 that has calculated employment effects of different measures or situations such as the legalisation of undeclared work (by 30 and 60 percent respectively), the implementation of actual demand or effects of employment rates in housework employment that would be similar to EU15 or the group of EU countries with a high employment rate in housework services (see table 4 in Annex 12⁽¹⁶⁰⁾). These different scenarios result in quite significant job creation effects in formal employment up to more than 770 000 jobs in full-time equivalents having a gross income effect of more than EUR 13 billion⁽¹⁶¹⁾. This is however a scenario analysis, not a real measure of the impact of public policies on undeclared work.

It has been also been estimated in other surveys that two thirds of Mini-jobs in 2005 were formerly in the black market⁽¹⁶²⁾.

⁽¹⁵²⁾ Figures given in the DGCIIS report, op. cit.

⁽¹⁵³⁾ Colectivo Ioé, Trabajo sumergido, precariedad e inmigración en Catalunya. Una primera aproximación, research for the Fondation Jaume Bofill, 2008.

⁽¹⁵⁴⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92>

⁽¹⁵⁵⁾ ONE Observatorio Navarro De Empleo (SNE), Servicios domésticos y servicios personales en el hogar, 2009.

⁽¹⁵⁶⁾ Id.

⁽¹⁵⁷⁾ DGB 2012 Hausangestellte – das Ende der Ausbeutung?, Berlin, Oktober, p. 9.

⁽¹⁵⁸⁾ Minijob-Zentrale, 2012: 4. Trendreport 2012: Heimliche Helfer – Schwarzarbeit in Haus und Garten. Deutsche Rentenversicherung Knappschaft Bahn See, Bochum.

⁽¹⁵⁹⁾ Pennekamp J., 2012: Geschäfte in der Grauzone. Faz-online: <http://www.faz.net/aktuell/wirtschaft/menschen-wirtschaft/haushaltshilfen-aus-osteuroopa-geschaefte-in-der-grauzone-11802693.htm>.

⁽¹⁶⁰⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92>

⁽¹⁶¹⁾ IW Köln 2009: Jobchancen für Geringqualifizierte, Februar.

⁽¹⁶²⁾ Mentioned in Kergueris, Senate report, Annex 2, p. 11, drawing on the works of F. Schneider.

3.3. Efficiency of public measures: What can be drawn from existing cost-benefit analyses?

The previous paragraphs have focused on two main effects of public policies in the field of personal and household services: job creation on one side and reduction of undeclared jobs on the other side. Of course these two impacts are linked. This sector is in effect the receptacle of important amounts of public spending. For instance in France, the total amount was estimated to be more than EUR 6 billion in 2009. In Belgium the cost of public policies is EUR 1.6 billion in 2011.

Here we analyse the efficiency of these measures on the basis of cost-benefit assessments realised in a couple of countries: Belgium, Finland, Denmark, Sweden and France. These countries are characterised by quite different policies, passing through fiscal deductions, the use of vouchers or the definition of new regulations on occasional employment.

A common perspective of these studies is to take into account all the direct and indirect effects of the spending. Even though methodologies differ and sometimes can be questioned, all these assessments show that it is necessary to go beyond a simple analysis of gross costs and that a well-informed public debate should be based on the net cost and the earn-back effects of these measures.

Belgium: direct and indirect earn-back effects reduce the net cost by 45 %

The Belgian system of *Titres services* is assessed each year by an independent organisation, IDEA Consult. The assessment of the budgetary impact relies on a methodology distinguishing direct effects, 1st-order indirect earn-back effects and 2nd-order indirect earn-back effects. Among direct earn effects are included the decrease of unemployment benefits (because new unemployed people get new jobs), new social contributions paid and new receipts on personal income tax. When subtracting these direct effects to the EUR 1.6 billion gross cost in 2011, one obtains a 40% lower net cost, equal to EUR 1 million. When taking into account the first order indirect earn-back effects (like new receipts on society tax and the impact of jobs indirectly created in the sector (for instance manager or administrative jobs), the net cost is still lower, representing 55 % of the gross cost (see Annex 15⁽¹⁶³⁾). Put differently, direct and indirect effects of first-order (i.e. the ones that are clearly measurable) **reduce the cost for public finances by 45 %**.

Second order indirect effects are mentioned but much harder to quantitatively capture (such as new VAT collected as a result of increased demand from unemployed who returned to work

thanks to the measure, or also economic gains for the collectivity as older persons stay longer at home). In its assessment IDEA Consult considers them as being comprised between EUR 380 million and EUR 520 million.

The total gross cost by worker in this scheme is equal to EUR 11 048 in 2011, compared to EUR 9866 in 2008. This important increase can be explained by the success of these vouchers and the more rapid increase, over this period, of the number of users and reimbursed vouchers than that of employees.

The total net cost when including 1st-order earn-back effects and 2nd-order earn-back effects, as defined and estimated above, amounts to **EUR 3 520 by worker in 2011**. As written in the IDEA report, in 2011 public authorities spent EUR 3 520 “net” to finance a worker in the *Titres-services* system.

France: questioning the cost of each job created

French policy in support of PHS includes many different instruments (tax incentives, social contribution exemptions, support to voucher system, reduced VAT rate, a central agency, etc.) which overall are very costly. A financial and critical overview of the global policy in support of personal services has been made in 2010 by the French “Court of Auditors” (Cour des Comptes)⁽¹⁶⁴⁾. In 2009, the total cost amounted to EUR **6.6 billion** for the State and social security. The total amount has increased by 40% since 2006 (EUR 4.7 billion) (see graph 1, Annex 16⁽¹⁶⁵⁾). In 2007, this financial effort represented 7% of the total expenses in the field of employment policies. This is an indicator of the importance of the sector in French policies currently. In 2009, the two thirds of public expenses come from tax exemptions that were given to 4 million households (see table 1, Annex 16⁽¹⁶⁶⁾).

According to the report written by the Oliver Wyman institute for **the employer's union of personal service private providers** (FESP)⁽¹⁶⁷⁾, in 2010, total expenses represented around **EUR 11 800 by full-time job per year** and this sum by full-time job has also almost doubled since 2004.

In a public report, the French Senate has proposed another method for calculating the cost of new jobs created⁽¹⁶⁸⁾. It takes into account the two following figures:

- An increase by 58 000 full-time jobs in the sector between 2005 and 2008.
- An increase in public expenses by EUR 3 billion over the same period.

⁽¹⁶⁴⁾ Cour des comptes, op. cit.

⁽¹⁶⁵⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92>

⁽¹⁶⁶⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92>

⁽¹⁶⁷⁾ Oliver Wyman, op. cit.

⁽¹⁶⁸⁾ Kergeris, French Senate report, op. cit.

⁽¹⁶³⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92>

The result is that **each new full-time job created would have cost EUR 51 500 per year (gross cost)**. As stated by the authors of this report, this cost is incommensurable with the average wage in the sector, which is by far much lower. Nevertheless, this gross cost does not integrate the earn-back effects for the State and social security institutions.

In 2007, each new job created would have cost between EUR 9 000 and EUR 28 000

Some studies have analysed more in detail the impact of the principal tool used, i.e. tax exemptions, since their creation in 1991.

A first impact has been **the progressive increase**, since 20 years, **of household's recourse rate** to personal services. Drawing on fiscal data, the recourse rate has passed **from 6.4% to 12.8%** between 1996 and 2008. This growth results from the combination of many effects: a regularisation of informal jobs and the creation of new formal jobs.

There have been different impacts on public cost and job creation over the period⁽¹⁶⁹⁾. In 1991, the creation of the tax deduction has had a positive effect on employment (between 12 000 to 43 000 full-time jobs created) but with a high cost for public budget, as the cost by full-time job created was comprised in between EUR 23 000 and EUR 85 000.

In 2007, the transformation of the tax deduction scheme into a tax credit scheme has had a more limited quantitative impact on recourse. Only 12% of former consumers who did not benefit from any tax deduction have actually benefited the tax credit scheme in 2007. However this new tax credit scheme has had **a positive impact on job creation and appears to be more cost efficient**. One can compare the impact of the 2007 tax credit scheme with the 1991 tax deduction scheme, using the same statistical sources and same method⁽¹⁷⁰⁾. The estimation is that between 35 000 and 108 000 new households have consumed personal services as a result of the implementation of the tax credit. In consequence, **between 4 000 and 14 000 full-time jobs would have been created thanks to these tax measures**. In terms of job creation, the **measure appears relatively cost efficient**. The cost (by year) of each job created would then be comprised in between EUR **9 000 and EUR 28 000**. This is three times less than the cost of each jobs created after the creation in 1991 of the tax deduction scheme. This result can be explained by the differences in the households benefiting from the tax deduction or from the tax credit. The households concerned by the tax credit are less rich and spontaneously have a lower recourse to personal services. This hence limits the potential windfall effect that exists for tax deduction mechanisms.

⁽¹⁶⁹⁾ We can draw here on the work of Claire Marbot from INSEE who has analysed the effects of these measures since their creation. See Marbot C., 2011, Une évaluation de la réduction d'impôt pour l'emploi de salariés à domicile, working paper, INSEE ; Marbot C. and D. Roy, 2011, Évaluation de la transformation de la réduction d'impôt en crédit d'impôt pour l'emploi de salariés à domicile en 2007, working paper, INSEE.

⁽¹⁷⁰⁾ Marbot, Roy, op. cit.

Another research can also be mentioned, which proposes a cost-benefit estimation of the overall sector of personal services in France (not only the tax benefits). This study was realised by the Oliver Wyman institute for **the employer's union of personal service private providers** (FESP) in 2012⁽¹⁷¹⁾. According to this very positive assessment, though the cost of the public support to the sector of personal services is high as seen above, it is largely compensated by direct and indirect returns. This research concludes in a positive earn-back effect of EUR 2.6 billion in 2010 when considering all these effects. This estimation however relies on several assumptions that can be criticised and on a highly inclusive appraisal of indirect benefits⁽¹⁷²⁾.

Despite these methodological reservations, this study nevertheless shows that the net cost of public measures in France is lower than their gross cost, in particular thanks to social contributions paid by employers and employees in the sector (estimated around EUR 4.8 billion by the study). If in the French case, the very high costs of the global policy have been emphasised by several reports written by highly qualified authorities such as the Senate or the Court of Auditors, no real cost-benefit assessment has so far been undertaken by them.

Finland: positive returns on expenses

We rely here on the assessment of the Finnish tax deduction made by Niilola and Valtakari (2006). As already presented, there are two distinct types of services entitled to this tax reduction, either housework and care services or renovation services.

According to the authors of the report, the deduction for household services has proven to be a cost-effective way of creating new jobs. From the perspective of national economy, the jobs created thanks to the deductions **pay off in full and even would bring positive return on expenses**. The tax deduction also has other effects of economic and social importance, that are manifested e.g. as a decrease in the amount of illegal work, an increased efficiency in the social distribution of work, an increase in economy-activating consumption and more leisure time. Another important, permanent overall effect and added value of the tax deduction for household services is that it has activated a new type of demand for household services worth hundreds of millions of euro, having also started a whole new service market, at least as far as cleaning services are concerned.

⁽¹⁷¹⁾ Oliver Wyman, op. cit.

⁽¹⁷²⁾ In particular the following points can be raised. First, public expenses in the field of long-term care policies are not taken into account, though the calculation of direct benefits is based on all employees' contributions even those working as carers. Second, the estimation of direct effects is based on the assumption that all jobs existing in the sector are due to tax and social contribution incentives. This might be a strong assumption. Other assumptions regarding "avoided" costs (of residential care for older people or of repeating years for pupils/students) can also be questioned.

The net costs are calculated on the basis of the households that have been driven to purchase the service because of the tax incentive. It is estimated that around one third of expenses (EUR 160 million out of the EUR 457 million according to the budget survey) can be considered as “net” ones, i.e. those would not have been made without the tax incentives. The figures presented in the table in Annex 17 estimate the earn-back effects of the tax deduction. The estimation reported in Annex 16⁽¹⁷³⁾ embraces the whole scheme which was used in 90% of cases for renovation services in 2004. Only 10% of the expenses of the households concerned housework services, for around 560 to 750 jobs created as seen above.

The cost of each new job created in gross terms (9950 gross jobs) is superior to EUR **11 000**, and the net cost of each new job created in net terms (3550 net jobs, that would not exist in the absence of the tax incentive) is more than EUR **31 000**. However, taking into account the diverse earn-back effects of each new “net” job created, the authors conclude with the result that each new created job **would return EUR 3800 back to the State**.

This assessment is to be analysed being given the fact that 90% of the measures financed renovation services and only 10% housework services. A methodological fragility is however that the estimation is based on an assumption taken from a consumer survey (sensitivity of households to tax deduction) and not from actual data.

Sweden: a positive appraisal of ROT and RUT reductions

According to Företagarna (employers federation), tax deductions are viable in the sense that the return under the form of new fiscal receipts is .than the initial cost⁽¹⁷⁴⁾. Regarding ROT deduction, the payments for tax relief in the past year (July 2009 – June 2010) amounted to about SEK 9.4 billion (EUR 1 million). This corresponds to a turnover of firms (with material purchases, etc.) of around EUR 3 billion. This, in turn, in the form of employer contributions and tax of about more than EUR 10 billion (VAT 20% of total sales) as well as employer contributions by more than 30% on labour costs amounting to approximately EUR 1.7 billion. In addition, one should add employees and entrepreneurs’ income taxes and other indirect taxes. **For each euro of deduction thus this would**

represent between EUR 1.5 and EUR 2 back. Thus, the employer’s federation can conclude that tax relief gives a real plus for the Treasury.

Regarding the RUT-deduction on housework services, the conclusion is the same although the ratio is a bit lower. The fiscal expenses amounted to about EUR 100 million in 2009. This means a turnover on the market by EUR 0.2 billion, which in turn generates taxes and payroll taxes, totalling about EUR 100 million according to the employers’ federation. This would mean that every euro spent in housework service **would be reimbursed on a 1:1 par**. If one includes income taxes paid by employees, the outcome is also here beneficial for Treasury.

These assumptions do not include other mechanisms that would tend to make the picture more positive even, if including the increase in VAT through increased private consumption, a decrease in spending on unemployment benefits and various employment programs.

Denmark: the cost of each full-time job estimated around EUR 4500

We rely here on the presentation made for the European Industrial Relations Observatory⁽¹⁷⁵⁾. In 2000 – a time when the public aids were at their maximum, then they progressively diminished – around 3700 full-time jobs were supported by the Home service scheme. 10% of Danish households were users of the scheme. This volume of employment then strongly decreased to reach 700 full-time jobs in 2006. As we saw above, the decrease of the helps contributed to a new increase in the black market.

In 2000, total subsidies amounted to DKK 477 million (around EUR 64 million). In 2006, subsidies had declined to around 11 million Euros. The subsidy level in 2000 was equivalent to a grant of around EUR 12900 per employed person or EUR 16800 per full-time employed person, while **the 2006 subsidy equated to EUR 15200 per full-time employed person**.

Taking into account that employment under the home service scheme reduces the costs of unemployment and social security benefits, **the net costs were estimated at EUR 16.4 million in 2000. The net costs in that year per full-time employed person amounted to around EUR 4400**.

⁽¹⁷³⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typedId=92>

⁽¹⁷⁴⁾ Företagarna, Två år med ROT och RUT (Two years with ROT and RUT), August 2010. <http://www.foretagarna.se/Aktuellt-och-opinion/Rapporter/-2010-/Tva-ar-med-ROT-och-RUT/>

⁽¹⁷⁵⁾ EIRO, 2007, “Home service scheme”, Denmark, op. cit. The references used in this review for impact indicators are the following: Andersen, L., Hjemmeservice – Status og fremtid [Home service – Status and the future], AE Rådet, April 2000. Bendtsen, B., Redegørelse af 30/507 om erhvervsstøtte 2007 [Statement from 30 May 2007 regarding business subsidies], 2007. Erhvervsfremmestyrelsen, Baggrundsrapport. Samfundsøkonomiske konsekvenser af hjemmeserviceordningen [Background report. Economics of the home service scheme], 2001.

Summary of policy impact

	BE	DE	DK	FI	FR	SE
Job creation	2011: 160 000 jobs created under the <i>Titres services</i> scheme (launched in 2004) (56 000 full-time jobs)	2011: 240 000 "Mini-jobbers" in private households	2000: 3 700 full-time workers in the Home service scheme (created in 1994 and later suppressed)	2001-2004: in total, 10 000 full-time jobs created <i>Net effect estimated:</i> 4 600 full-time jobs (1 000 in housework, 3 600 in renovation)	2005-2010 330 000 jobs created (50 000 full-time jobs)	2007-2009: 18 000 full-time jobs created (4 000 in housework, 14 000 in renovation)
Reduction of undeclared work or effects of outsourcing from households to external providers	Massive. Almost all the domestic services were not declared before this voucher scheme	Important, around 2/3 of mini-jobs formerly in the black sector according to some estimates	It can be estimated that around 2 000 full-time jobs provide from an outsourcing process Increase in undeclared labour after several restriction on the scope of the scheme	Reduction of undeclared work estimated: from 60% to 25% in 2004 (both in renovation and in housework sectors)	Reduction of undeclared work estimated: from 50% in 1996 to 30% in 2005 2/3 of hours legally paid would provide from a whitening process	Jobs created (see above) were almost all in the undeclared sector or not existing. 2005: At least 10% reduction of undeclared hours in cleaning services
Elements for a cost-benefit analysis	Total gross cost (EUR) 1.6 billion in 2011) reduced by 45% when integrating first-order earn-back effects		Total gross cost: EUR 64 million (2000), then EUR 11 million (2006)	Jobs created thanks to the measures would pay for themselves in full and even bring positive returns to the State	Total gross cost: EUR 6.6 billion in 2009 One estimate concludes in a positive earn-back effect of EUR 2.6 billion	Total cost of tax reductions: EUR 1 billion (2010). Each spent in ROT reduction (renovation) would return EUR 1.5-EUR2 back to the State; each € spent for RUT (housework) would be reimbursed on a 1:1 par
Cost of each job created	Total gross cost per worker (2011): EUR 11 000€ Total net cost per worker*: EUR 3 500		Total gross cost per worker (2000): EUR 13 000. Per full-time worker: EUR 17 000 (2000) and EUR 15 000 (2006) Total net cost per full-time work: EUR 4 400 (2000)	Total gross cost of each job (2006): EUR 11 000 Total gross cost of each new job created (in net terms, ie jobs that would not exist without the measure)*: EUR 31 000 However, positive returns for the State, by around EUR 3 800 by job	Total gross cost per worker in the sector (2009): EUR 11 800 Total gross cost of each new full-time job created: Estimate from Senate Report: EUR 51 000 (2010) Estimate from INSEE: between 9 000 and EUR 28 000€ (2007)	

Sources: mentioned above, own compilation.

3.4. Redistributive aspects

In addition to the efficiency aspects analysed above, it is important to pay attention to the redistributive character of these policies. The question is to know who have benefited most of these public spending.

Of course **a first redistributive aspect is many jobs have been created as seen above, mainly for people with low qualification.** The policies make them avoid the experience of unemployment and redistribute some purchase power. However the jobs created are often part-time jobs and do not always protect workers from the risk of poverty. More research on job trajectories in this sector should be interesting. From that point of view the redistributive aspect might appear as incomplete.

Another question concerns the type of households that benefit from the diverse advantages and incentives granted by the State and public authorities. A fact that stems from national data is that in all countries that implemented large tax reduction mechanisms, these incentives have firstly benefited to the highest-income households. In the light of these empirical evidence, the **redistributive character of these policies can be questioned.**

It should however be mentioned that the scope of the present report – i.e. “non-care” services, principally in the field of housework – has an impact on this overview of redistributive aspects. A more inclusive analysis also taking into account care policies would possibly result in a different appraisal of this redistributive character. Whereas many care policies target people with low income (through social subsidies mainly), this is not always the case of policies examined here which rely for many on them on the tax deduction tool, which gives incentives only for taxpayers. Experiences of tax credit have been mentioned but often raise technical difficulties (in particular due to the possible delay between the purchase of the service and the partial “reimbursement” of the cost in certain tax systems).

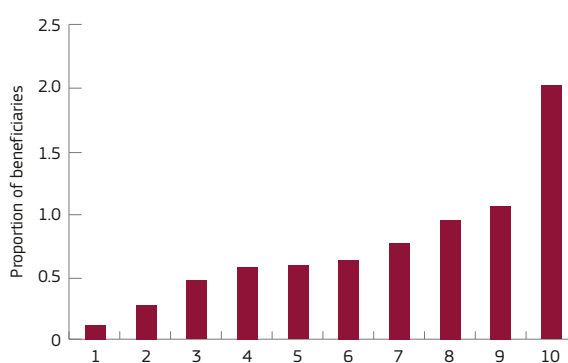
A first case study is **Finland.** According to the Finnish Tax Administration, the tax reduction on housework services (and renovation services) principally go to highest-income households. The median category of income in Finland is that of EUR 20 000 – EUR 24 999 per year: 7.1 % of the households belonging to this category have benefited from the tax deduction. Less than 5% of the income categories below have benefited from the tax advantage, while the proportion is above 20% for incomes above EUR 60 000⁽¹⁷⁶⁾. More than 20% of the 10th decile of income distribution have resorted to the tax deduction, compared to around 5% up to the 5th decile. The average amount received by households is growing with the level of income (graphs below).

⁽¹⁷⁶⁾ Source: <http://www.hs.fi/english/article/Domestic+help+credit+expanded+and+increased+from+January+1st/113524251504>.

The effects of the tax reduction are to be analysed in link with public care services:

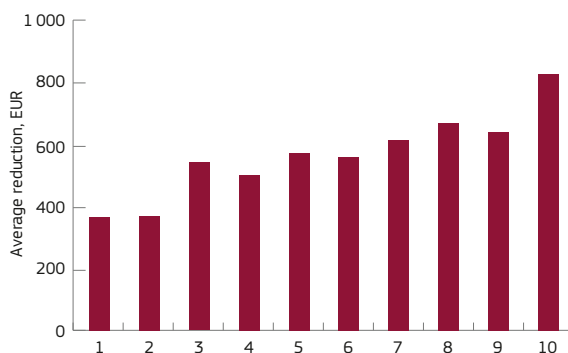
“Service fees for ordinary municipal home care are income-related, which means that those with higher incomes pay a higher fee for their services. As a consequence, being supported by the above-mentioned tax credit, private alternatives may be less expensive than public care services for wealthier people. There are thus underlying pressures for an increasing erosion of the principle of Nordic universalism, according to which people of all income levels should be served by the one and same service system”⁽¹⁷⁷⁾.

Proportion of persons having benefited from the tax credit in 2008, per capita disposable income by deciles (population aged 20+)



Source: VATT.

Average amount received by households, per capita disposable income by deciles (population aged 20+)



Source: VATT.

⁽¹⁷⁷⁾ T. Kröger, A. Leinonen Transformation by Stealth: Intensification of Home Care in Finland, 9th ESPAnet Conference 2011. ‘Sustainability and Transformation in European Social Policy’ Valencia, 8-10 September 2011

In **France**, the fact that higher incomes are the ones who benefit most from tax cuts is also sometimes denounced. It is true that the consumption of personal services (including childcare services in the following figures) depends very much on the households' incomes (see graph below and figures in Annex 18⁽¹⁷⁸⁾). 33% of the 10th decile of incomes (i.e., the 10% households with the highest incomes) were users of personal services in 2005, compared to 15% of the 9th decile (the 10% households situated just before) and only 3.6% for the first decile (the 10% households with the lowest incomes). Regarding the level of expenses, the 10% of households with the highest incomes have spent on average EUR 2433 in 2005, while the average expense for all households is EUR 1681. These expenses correspond to the amount that the households effectively paid (after direct subsidies or aids).

It should however be noted that even when not benefiting from tax deductions, many household still resort to personal services. More than 70% of the consumers benefited from a tax deduction in 2005, and 40% of the spending was reimbursed through this – but this also means that 30% of purchasers did not touch any tax deduction. The levels of “reimbursement” under the form of tax deductions are very unequal, as many households do not pay any income tax and then cannot benefit the tax deduction system (see graph 2 in Annex 18⁽¹⁷⁹⁾)⁽¹⁸⁰⁾. The next graph only concerns the households who have consumed personal services in 2005. The general average spending (around EUR 2400) is pulled by the high level of consumption by households with the highest incomes. Nevertheless, for many modest households, the level of consumption is quite important, while the levels of tax deduction are weak (see graph below). This emphasises the presence of a sort of budget constraint for them, who have to pay for childcare or elder-care services but do not benefit from large tax incentives.

As a result, one can say that it is important that public aids be strong enough to help these people have access to these services, as needs seem to be important when considering the level of actual expenses. As well, “middle classes” who do not seem to be particularly targeted by public measures are among the less intensive users of the measures in 2005, as the “U”-curb above indicates. This relates to an issue already mentioned in European comparative reports, which underline the fact that the tax reduction mechanism favours high income families while very low-income families benefit from exemption from co-payments, leaving middle-income families to shoulder a comparatively larger share of the financial burden of the incumbent system⁽¹⁸¹⁾.

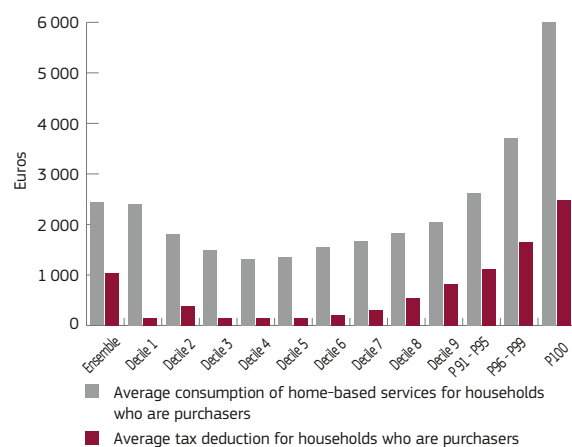
⁽¹⁷⁸⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92>

⁽¹⁷⁹⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92>

⁽¹⁸⁰⁾ The tax deduction system was transformed in a tax credit system in 2007. Since then, households who do not pay income tax can nevertheless benefit from a 50% reduction of the facial value of the service, under the form of a reimbursement from the Tax authorities, taking place at least one year later however.

⁽¹⁸¹⁾ EU Expert Group on Gender and Employment Long-Term Care for the elderly. Provisions and providers in 33 European Countries. Mentioned in the Staff Working Document of the Commission, op. cit.

Average level of consumption of personal services and average level of tax deduction, by consuming household



Source: Carbonnier⁽¹⁾.

⁽¹⁾ C. Carbonnier, 2009, Réduction et crédit d'impôt pour l'emploi d'un salarié à domicile, conséquences incitatives et redistributives Economie et statistiques, N° 427-428.

Since the transformation of the tax deduction in a tax credit system, the number of beneficiaries of tax measures has increased by 24% in 3 years (from 2.7 million households in 2005 to 3.4 million in 2008)⁽¹⁸²⁾. Data seen above thus should be actualised at the light of this enlargement and the assessment in terms of redistribution might be modified.

In **Sweden** finally, the observation that tax deduction benefit first the highest incomes also prevails. ROT and RUT deductions are more common among persons with high incomes. According to Statistics Sweden, of those with an annual income of over SEK 400 000 (EUR 44 000), 29% took the ROT deduction and 11% the RUT deduction. 22% of the households with highest incomes (more than EUR 110 000 per year) have benefited from the RUT-advantage. In comparison, among those with an annual income below SEK 400 000, only 3% of households have benefited from tax reductions on housework (and 9% on renovation services) (Annex 19⁽¹⁸³⁾).

For opponents to the tax reduction in the Swedish Parliament (mentioned by Kvist et al., 2009) or among trade unions, the scheme and the debate that preceded its creation (also known as the “maid debate”) have risen many issues in terms of tax redistribution.

⁽¹⁸²⁾ Cour des comptes, op. cit.

⁽¹⁸³⁾ <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventsId=854&moreDocuments=yes&tableName=events&typId=92>

3.5. Conclusion

A few cost-benefit analyses have been conducted at national level in order to quantify the returns and earn-back effects of public spending in the field of PHS. All these studies do not share the same methodology and rely on assumptions that can sometimes be questioned. However, they all permit to inform the public debate and go beyond a simple analysis in terms of gross cost. In certain countries public policies are very costly, like in France where the more than EUR 6 billion yearly spent to develop the sector of personal services have been criticised by independent authorities. Unfortunately it is hard to measure the returns on this investment, because of a lack of research, even though some reports have advanced that the returns under the form of new social contributions, new taxes and other indirect effects would more than compensate the initial spending. Similar conclusions stem from studies in other countries, like Finland or Sweden as far as the tax deduction for renovation services is concerned. There the reduction for housework would at least be compensated on a 1:1 basis. In Belgium, the gross cost is actually divided by two when taking into account the direct and indirect earn-back effects. The Belgian policy is assessed each year and thus the public debate is fully informed, which is not the case in other countries where policy assessment is not systematic.

As indicated in the Commission's Staff Working Document on PHS, "Public authorities should have a broad vision of the cost as often the department which invests and the one which receives the benefits are different. This will help to understand the real net cost of the public support given to job creation in this sector." There might indeed exist a discrepancy between paying institutions (generally the State through tax incentives) and the beneficiary institutions (for instance social security systems through new receipts). In federal countries, the problem might also result from the repartition of competencies between national and regional levels.

An important conclusion therefore is that one should take into account the real net cost of policy interventions in the field of personal services. Public intervention is necessary so as to reduce the face value of these services and thus make them competitive with undeclared forms of labour. This is an investment which should be carefully scrutinised at the light of its many returns. Further research at national and European levels in order to define better tools of assessment and reliable methodologies would be interesting.

Alongside these efficiency considerations based on cost-benefit analyses, it is also important to take note of the redistributive impact of these public policies. National materials show that tax incentives strongly benefit the highest-income households. Middle-class households may appear not enough "helped" by these mechanisms and this would be a line for policy reform. As this report has focussed on housework activities, redistributive aspects might be less important than in the field of care services where social policies can better target people in need and low-income families.

Finally, these results can also be analysed in terms of the cost of each new job created. The results diverge and it is hard to know whether this is due to the effective cost of the programmes or just to differences in the methodologies used. In Belgium, the net cost by worker in 2011 is estimated at 3 500 EUR, a figure close to that estimated for Denmark (around 4 500 EUR) when the Home service scheme was implemented. In France, the net cost by worker would be comprised between EUR 9 000 and EUR 28 000 in 2007, a large interval that shows the difficulty to quantify this. In Finland each new job created thanks to tax deduction (the methodology only takes into account new jobs that would not have existed in the absence of public intervention) is costly (more than EUR 31 000), but it is associated to positive returns for the State of almost EUR 4 000, according to one survey.

4. Challenges ahead:
working conditions,
quality and productivity

4. Challenges ahead: working conditions, quality and productivity

The development of the sector is linked to the improvement of working conditions and quality of the service. These are real challenges as already developed by the report on household services from Eurofound⁽¹⁸⁴⁾. The issue of quality of employment and working conditions will only be touched here briefly as it was not the main topic of the present survey; however it is impossible to let this question aside. Working conditions are indeed central to the creation of jobs in this sector. Enhancing working conditions, making jobs more attractive, and making the sector more professional are interactive factors.

4.1. Working conditions

Job security is not similar in all countries depending on the type of regulation but also the labour market situation. In **France** for instance, nearly 90% of workers in personal and household services are in open-ended contracts. This is due to a clear shortage of labour in the sector. Employers immediately recruit under open-ended contracts so as to attract new employees. The use of the CESU voucher also supposes that the recruitment is done under an open-ended contract. However this contract can very easily be broken. It is compulsory to write a labour contract if the employee works more than 8 hours a week for the household (or 4 successive weeks during the year). In **Belgium**, since 2009, fixed-term contracts must be transformed into open-ended contracts if the worker has been for more than three months in the company. Around 50% of employees were under open-ended contracts in 2011.

By contrast in **Germany**, employment in household services is amongst those sectors that are characterised by a high degree of precarious work. In a recent publication of the German trade union federation DGB on domestic services the private household as an employer has been characterised as a "legislation free zone"⁽¹⁸⁵⁾. In general workers in housework services and in particular people doing marginal work are employees that found it difficult to find more stable and secure forms of work due to a lack of qualification, ethnic background or low educational attainment.

The influence of collective agreements is important in some countries. In **Italy**, the collective agreement for *collaboratori*

domestici regulates the working conditions. In the Netherlands, there is one collective agreement for employees working in service provider organisations (triangular relationship model), but employees directly recruited by households (direct employment model) are not covered⁽¹⁸⁶⁾. In **France** there now exists three different collective agreements in the sector: one for domiciliary carers working in the non-profit sector, one for employees directly recruited by households, and one for workers of private companies providing personal Paid Household services. However if there is such a framework existing at a collective level, it is sometimes hard to make it fully operational at local level. Companies are often of small size with limited presence of unions. Independent workers but also households as private employers are not always aware of these collective agreement and sometimes do not precisely know their rights and duties.

Other countries have introduced specific arrangements or regulation for houseworkers, as seen above. These specific arrangements are derogatory from common law and diminish the security and social protection of these workers. This is for instance the case in the **Netherlands** (but wages cannot be inferior to minimum wages). Before a recent reform in **Spain**, houseworkers' working conditions and rights were kept at a very weak level. Since 2012 however as seen above, a much more protective framework has been implemented.

In general, **salaries** are kept at low levels and rarely exceed the minimum wage. Where collective agreements exist, they endeavour to raise this level in order to attract people to these jobs. Wages are linked to working times and in countries like **France**, the low level of wages is not due to low wage rate (the minimum wage applies for all workers), but to low working times. In France, the average net wage for houseworkers (*employés de maison*) was 687 € in 2010, for an average of 21 hours worked by week⁽¹⁸⁷⁾. In comparison, domiciliary carers (*aides à domicile*) earned in average 838 € by month for more than 27 hours worked by week. 76% of houseworkers were below the low-wage threshold (1016 €) in 2010. The short working hours of many employees in France have induced them to benefit under Universal Sickness Coverage (Couverture Maladie Universelle - CMU), which is the safety net of the French security system.

In **Germany**, the gross monthly wage of marginal workers in private households is by far the lowest if compared to

⁽¹⁸⁴⁾ Cancedda, 2001, op. cit.

⁽¹⁸⁵⁾ DGB, op. cit.

⁽¹⁸⁶⁾ Kergueris, Senate report, op. cit., Annex 2, p. 65.

⁽¹⁸⁷⁾ Source: Enquête Emploi, see Lefebvre 2012, op. cit.

marginal workers in other economic sectors – in 2009, it was only EUR 162. The share of “mini-jobbers” earning a wage below the national low wage threshold is more than 85 %. Average hourly wages for domestic workers across all types of employment are difficult to estimate since major activities are at the black market. Internet research suggests depending on region and tasks, hourly wages for cleaning personal in private households vary between 8 and 12 Euros. Likewise, hourly wages for “*Minijobbers*” differ across regions. Even though, no statistical data can be found on hourly wages of marginal jobs by economic activity, the overall hourly net wage average is below legal minimum wages, at EUR 5.60⁽¹⁸⁸⁾. In most cases one “mini-job” by far is not sufficient to earn an income for living but workers need to carry out more jobs in parallel and still, the majority of domestic workers employed on the basis of marginal jobs are regarded as “working poor”, often working more than 40 hours a week and still depending on supplementary social benefits. Against this and low transition rates in from marginal/low paid jobs to more secure and better jobs the German trade unions regard the mini-job scheme as one of the most important failed developments on the labour market that needs to be corrected. This need also results from the rapid increase in marginal employment in recent years: in 2012 around 4.9 million people relied on one or more mini-jobs⁽¹⁸⁹⁾.

In **Belgium** under the *Titres services* scheme, the gross hourly wage was 10.5€ in 2011. In **Italy**, the work of “*colf*” (domestic workers) is regulated by a specific collective agreements, but many irregularities can be observed, in particular for immigrant workers. Two thirds of workers earn less than EUR 1 000 by month. 23 % earn less than EUR 600 and 20% between EUR 600 and EUR 800 by month. Furthermore, foreign workers earn on average 1 euro less per hour than Italian workers (EUR 6.83 vs. EUR 7.81)⁽¹⁹⁰⁾.

In **Spain**, we can mention the results of a regional survey from the Observatory of Employment in Navarra⁽¹⁹¹⁾. In 2009 in this region, the mean wage is situated around EUR 500 which is lower than the minimum wage (EUR 624 by month). As mentioned in another study, the activity is based on very individualised relationships which do not always refer to legal norms⁽¹⁹²⁾. As well in Spain, the increase in the labour supply offered by immigrant workers can have had a downward impact on wages. As in the Italian case, a difference is reported

⁽¹⁸⁸⁾ Brenke, 2012: Geringe Stundenlöhne, lange Arbeitszeiten. DIW Wochenbericht 21/2012. Berlin; Besides, other employees in the low-wage sector may earn less than Minijobber who benefit from specific rules regarding tax payments and social security contributions. Berlin.

⁽¹⁸⁹⁾ See Deutscher Gewerkschaftsbund: Sichere Arbeitsplätze statt prekärer Jobs. DGB-Vorschlag zur Reform kleiner Arbeitsverhältnisse, DGB Arbeitsmarkt Aktuell Nr. 3, März 2012

⁽¹⁹⁰⁾ Censis e Ministero del Lavoro e delle Politiche Sociali (2010), *Dare casa alla sicurezza. Rischi e prevenzione per i lavoratori domestici*, luglio 2010.

⁽¹⁹¹⁾ ONE, Observatoria Navarro de Empleo, Servicios domésticos y servicios personales en el hogar, 2009

⁽¹⁹²⁾ Pla Julian I. “*Informalidad del empleo y precariedad laboral de las empleadas de hogar*”, Serie de investigaciones 2003-2004, Instituto de la Mujer, Ministerio de Trabajo y Asuntos Sociales, pag 197.

between Spanish workers and foreign workers (3.9€ by hour vs. 3.3€ according to the survey in Navarra).

Working time is indeed a crucial issue for the development of the sector. On one hand, it is true that some employees may wish to work part-time, for several, personal reasons. On the other hand however, another fringe of employees does not manage to work as long as they would like and are trapped in a low-wage situation. In **Germany**, according to micro-census data in 2011, around three quarters (168 000) of the 227 000 employees in private households, work less than 20 hours per week. This is approximately the same average in **France** as seen above. In **Belgium**, one employee out of four under the *Titres services* voucher system works less than 20 hours a week⁽¹⁹³⁾. A large majority of them nevertheless report to have chosen their working time volume.

There can be a strategy in order to improve working conditions to increase working times. This would lead to higher wages and thus reduce the rate of employees under the low-wage threshold. This is a strategy that is implemented by many service provider organisations that can ensure their employees a minimal level of interventions. In **France** the majority of organisations have “annualised” the working time of their employees and therefore pay the same wage every month. This is then the responsibility of the employer to find the clients for the employees. By contrast, independent workers who are directly recruited by households are directly responsible of their “working time”. They have to bear with the cost of insecurity which directly lies on their shoulders.

The counterpart of such a strategy to increase working times is that this also increases the work hardness. As shown by a French survey about domestic care workers, the longer the working times, the harder the working conditions⁽¹⁹⁴⁾.

Moreover, one can question the calculation of working time in such professions where there are many journeys between two home interventions and also the possibility of “idle time” between two interventions (i.e., the period of time between two households that is not worked, but which nevertheless represents a “constrained” period of time). In the French case, once all these non-productive times are taken into account in the calculation, researchers have estimated that actually 1 hour of intervention represents 1 hour and 23 minutes of “constrained time”⁽¹⁹⁵⁾. Taking this as a reference, a week of 26 hours effectively worked at the home of clients would be equal to the legal weekly working time in France (35 hours). This raises a statistical but also policy debate about the real

⁽¹⁹³⁾ IDEA Consult, 2012, op. cit.

⁽¹⁹⁴⁾ Messaoudi D., Farvaque N., Lefebvre M., (2012), Les conditions de travail des aides à domicile: pénibilité ressentie et risque d'épuisement professionnel, Dossiers Solidarité et Santé, n°30, DREES.

⁽¹⁹⁵⁾ The analysis is based on care work for dependent persons. Devetter F.X., Barrois A., 2012, Analyse des emplois du temps des Intervenants à Domicile auprès des personnes fragilisées, enquête IAD, rapport pour la DREES, juin 2011.

Exposition to psychosocial risks, 2005 (France)

	Home carers	Houseworkers	All employees
Experience tensions with the public	35 %	5 %	32 %
Be in contact with persons in distress	66 %	13 %	38 %
Experience tensions with hierarchy	9 %	5 %	26 %
Experience tensions with colleagues	7 %	3 %	18 %
Have to calm down persons	59 %	10 %	47 %
Be exposed to verbal aggressions	37 %	10 %	39 %

Source: Enquête Emploi, Lefebvre 2012.

meaning of “working time” in such professions (Lefebvre, 2012). In other jobs, the wage does not depend on the “visible” working time – this is for instance the case of teachers who are paid according to another system of equivalence⁽¹⁹⁶⁾.

As just mentioned above, the **hardness of work** can be a limit to some employees’ wishes to work full-time. Furthermore, as observed on the ground at least in France, many employees arrive in the housework sector after a first professional career in industrial sector. They might experience physical difficulties due to these former occupations or be more sensitive to the physical constraints at work.

Indeed, jobs in personal and household services are demanding, both physically and, as far as care-work is concerned, emotionally. Among the physical difficulties one can mention the following: standing, loads to carry, handling of corrosive products, hygiene and safety problems, in particular in the homes of the elderly, risk of aggression, road accidents, etc. Psycho-social difficulties may be due to the relations with the users/clients, legal liability, stress related to travelling, etc.

In **France** in 2010, the frequency of workplace accidents in domiciliary care services is twice higher as the general average for all professions (76 accidents for 1 000 employees compared to a mean index of 36). It is even higher than the accident rate in construction for instance (73). 10% of employees have had a work stoppage (for workplace accident or on the way to work, work-related illness) in 2010, compared to a national mean of 4.3%⁽¹⁹⁷⁾.

Labour surveys give more indications about the difficulties experienced at work. In 2005, around 50% of domestic workers and 64% of carers experience painful or tiring movements and positions at work, compared to an average of 35% for all employees in France. 90% of both professions require to be standing up for long periods (vs. 52% in all other jobs).

In terms of psychosocial risks, there are differences between the two professions. When considering several indicators of psychosocial risks, domestic workers are always below the

⁽¹⁹⁶⁾ In France for instance, a teacher working full-time has to do 26 hours a week in primary education – and of course (s)he might actually work more than the legal 35 hour-basis.

⁽¹⁹⁷⁾ Source: CNAMTS.

average for all professions, while home carers report high levels of difficulties, over the average⁽¹⁹⁸⁾.

As mentioned in a Spanish Guide, a difficulty is that it is difficult, if not impossible, to directly intervene on the workplace conditions, because this means intervening on private, inviolable spaces⁽¹⁹⁹⁾. In almost all countries, employment authority (Labour Inspectorate) is not authorised to make inspections or examine the working conditions.

The fact is that even if risks are well identified both by national actors and by provider organisations, employers sometimes are limited in their possibilities of action, even though they are legally responsible of the health and safety of their employees⁽²⁰⁰⁾. However, organisations may have a bigger bargaining power with households that independent workers alone might not have. According to a French survey, 27% of households who directly employ domestic workers estimate that their home presents some risks for their employees (for instance: electric hazards, fall hazards, etc.) and 45% of employees directly recruited by households have identified such hazards. However in 80% of the cases, the employer (in this case the household) has not taken any measure to diminish or suppress the risk⁽²⁰¹⁾.

A decisive element here in order to reduce work-related risks is certainly **access to training and qualification**. Training and qualification offer better resources for workers so as to cope with difficulties at work⁽²⁰²⁾. Moreover, training and qualification are key to enhance quality of the service. However, if in some countries there is often a minimal qualification to work as a home carer towards dependent persons – though this is not always the case everywhere – in housework activities no

⁽¹⁹⁸⁾ Other research have estimated that 30% of home carers working with dependent persons are exposed to a job strain hazard. See Messaoudi D., Farvaque N., Lefebvre M., (2012), Les conditions de travail des aides à domicile: pénibilité ressentie et risque d'épuisement professionnel, Dossiers Solidarité et Santé, n°30, DREES.

⁽¹⁹⁹⁾ Gabinete De Salud Laboral De Cc.Oo. De Navarra; “Trabajo saludable con personas dependientes. Guía de prevención de riesgos laborales para trabajadores y trabajadoras del sector”, Fundación para la Prevención de Riesgos Laborales, 2009.

⁽²⁰⁰⁾ See Farvaque N., Messaoudi D., Etude relative à l'efficacité des outils de prévention élaborés dans le cadre des travaux de la Mission Nationale de prévention des risques professionnels des métiers de l'aide et du soin à domicile de la CNAM-TS, 2013.

⁽²⁰¹⁾ Id.

⁽²⁰²⁾ Messaoudi D., Farvaque N., Lefebvre M., op. cit.

minimal qualification is required in most of the countries⁽²⁰³⁾. A very common and shared representation of housework seems to be that this is a job that anyone can do – this representation being of course decisive in the idea that the sector has a high potential of job creation and can be (or should be) a good vehicle for integrating people excluded from the labour market through specific activation programmes. However, this is not the same thing to do a certain task like cleaning or gardening for oneself or for someone else, against payment. This requires some professional competences linked to the activity itself (having the good procedures and techniques) but also to the relational character of the service. Some provider organisations rely on their own competence framework so as to train their employees, this also being linked to a preventive approach in the field of health and safety. All in all, skills development is linked to a series of important challenges for the sector: making services to private individuals more professional, retaining staff and offering career opportunities.

4.2. Quality

When they exist, quality standards may impose a certain minimum level of qualifications for personnel. In **France** there are two levels of standards for companies, called “simple” standard or “quality” standard. Only the second one imposes such an obligation. The first one does not comprise any requirements in terms of quality, this is simply a facility given to companies to have access to tax exemptions. Considering all the employees working in the field of personal services, only 30% own a qualification.

In **Germany**, better quality through the development of professional suppliers of housework services is regarded as an important challenge. Trade unions claim that the Minijobs scheme be suppressed and that public funds rather be used to finance the setting up of service agencies. In this perspective, employees who are currently employed by households under the Minijobs scheme would be employed by these agencies. Advantages associated with such systems are manifold: full-time jobs instead of Minijobs emerge, which in turn reduce risk of in-work poverty. Furthermore, social contributions improve working conditions in the case of illness and income situation in retirement⁽²⁰⁴⁾. Still in this reform scenario/proposal, such agencies could help governments to reduce informal

employment and instead receive income tax payments via formal employment. Employees profit from social security benefits (in care of illness, and later on in retirement if they decide to pay contributions) and eventually agencies offer them career possibilities. Beyond that, agencies would establish professionalisation and confidentiality, what could in turn reduce people’s retention against outsiders working in their homes⁽²⁰⁵⁾. Therefore, service agencies facilitate negotiation between the household and his or her domestic worker in insofar as the agency puts prices and services in place. Disadvantages of service agencies are higher costs for consumers because of additional work conducted by agency. Moreover, consumers possess less influence on who is working for them⁽²⁰⁶⁾. From a union’s point of view, service agencies for domestic work offer the basis to found worker councils, and representation of employees’ interests could be organized.

The quality of personal and household services is attached to what some countries like France have called the “professionalisation” process. This process has embraced stimulating at collective level the negotiation of new collective agreements, and at a more local level helping provider organisations to engage in continuous training. As well, in the sector of “direct employment”, the employers federation has developed “resource centres” so as to give resources (like discussion arenas, access to training, etc.) to independent workers with a will to limit their isolation. In both sectors, the recognition of prior formal learning has been developed.

However, professionalisation is an objective that carries many paradoxes. The first one is that the price of the services increases with the professionalisation and qualification of the employees. As consumers are sensitive to prices, this might put a limit to the professionalisation plans of organisation. When prices are regulated (when there exists a voucher system with fixed prices like in the Belgian case, or when the reimbursement price is fixed by a regulatory authority, as in the case of care policies in France), professionalisation may thus lead to an increase in the labour cost for companies which is not compensated by the market price. A solution is that public authorities adapt the price to these professionalisation efforts, however this is very much constrained by the current budgetary discipline. If consumers are sensitive to price, they also are sensitive to the quality of the service⁽²⁰⁷⁾. It is hard to distinguish between these two factors – price and quality – that may play in two different directions.

⁽²⁰³⁾ According to the DGCIIS survey on the following countries: Germany, Belgium, Spain, France, Italy, the Netherlands, the UK, Sweden.

⁽²⁰⁴⁾ Social contributions by workers may also release pressure on governments to subsidise social security systems.

⁽²⁰⁵⁾ Brück, Tilman, Haisken, John, and Klaus F. Zimmermann, 2002: Förderung von Agenturen für haushaltsnahe Dienstleistungen schafft Arbeitsplätze für Geringqualifizierte. DIW Berlin, Wochenbericht Nr. 23/2002. Berlin.

⁽²⁰⁶⁾ Gottschall and Schwarzkopf, 2010: Irreguläre Arbeit in Privathaushalten. Arbeitspapier 217 Hans-Böckler-Stiftung, Düsseldorf.

⁽²⁰⁷⁾ In particular the capacity of the provider to adapt the quality of the service to the needs of the beneficiaries. Cf Messaoudi, XX.

4.3. The challenge of productivity

Finally, a last challenge is that of productivity. Even though it has been mentioned above that the productivity gains in the sector are limited, this does not mean that they cannot exist. They might be linked to the development of new information technologies, but also to innovation in organisational processes. From a general point of view, there is a huge debate about the pertinence of this concept of “productivity” applied to services. The notion takes its roots in the industrial sector, where goods are standardised and where measuring what an employee has produced during one period of time is not that difficult. However services and more particularly personal and household services are characterised by their non-standardised character and above all by their relational dimension. As some economists and sociologists have argued, these relational services are “co-produced”, which means that there is an active participation of the beneficiary in the production process, together with the provider.

So why and where talk about productivity? As put by the Commission in its Staff working document, “Externalisation of PHS could improve the productivity of such activities due to better use of technologies and investment in training, as externalisation is usually associated with specialisation.”⁽²⁰⁸⁾ Thinking about the use of new technologies therefore cannot be dissociated from what was mentioned above concerning skills development.

New technologies can operate according to a “substitution relation”, through which a new technological device can partly

or fully replace the service or the service provider, either in back office or in front office⁽²⁰⁹⁾. This can be illustrated by telesurveillance or teleassistance devices for instance. In what concerns back office mechanisms, productivity gains can be expected from the use of specific software that help provider organisations to manage their employees’ agenda and working times. In the French case, much hopes were placed in the creation of central, large coordination platforms (*enseignes*), that would act as intermediaries between the supply and the demand, but the experience has not proved as successful as wished. According to the idea that gave birth to these platforms, these platforms would have permitted to create scale economies in all the back office process.

Innovation in personal and household services should not be looked at only in technological terms. One can expect much from organisational innovation, applied to the “production chain” of the services. This logic might apply to some home-based activities but not to all. If one considers for instance an activity such as the ironing of clothes, the same result (having one’s clothes ironed) can be achieved either through a service provider directly doing the activity in the home of the beneficiary, or outside the home in a specialised laundry company that would deliver the clothes at home. It is easy to imagine that in the latter case, the productivity gains are higher than in the former case. However the relational character of the service, as important as it is for many people, will differ in both cases. A possible idea is that the service provided at home can be in some cases completed by services provided outside the home, where productivity gains are much more possible. Both would be combined to offer the beneficiaries an enriched panel of opportunities.

⁽²⁰⁸⁾ Commission, Staff working document, op. cit., p. 14.

⁽²⁰⁹⁾ C. Gallouj, op. cit., p. 167.

European Commission

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This report looks at the impact that public policy has had on personal and household services (PHS) around the EU. Specifically, it considers those tools that aim at encouraging formal employment and discourage undeclared work. For this analysis care services are excluded, whilst the public policy tools analysed can be grouped in four categories: reducing the price, simplification of procedures through vouchers, new regulation on employment and fostering the emergence of a supply side. By analysing national data, the impact in terms of job creation, the black market share and the cost efficiency and redistributive impact of policies is considered.

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