



White book on personal and household services in ten EU Member States

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Foreword

EFSI, the European Federation for Services to Individuals, takes the opportunity of the 5th European Conference on personal and household services to set out its views on the subject. Whereas the sector of personal and household services has been on the EU agenda for several years now, knowledge and best practices exchanges remains incomplete. Thus, this White Book presents measures supporting the formal provision of personal and household services in ten EU Member States, namely Austria, Belgium, Finland, France, Germany, Italy, the Netherlands, Spain, Sweden and the United-Kingdom. By describing in the more practical way these measures as well as exploring their relative strengths and weaknesses, EFSI seeks to contribute to a better recognition and understanding of the PHS sector at the European Union level.

This work refers to personal and household services (PHS) as a broad range of activities that contribute to well being at home of families and individuals, as defined by the European Commission in 2012. Thus, PHS includes child care, long term care for the elderly and for person with disabilities, cleaning, remedial classes, home repairs, gardening, ICT support, etc.

The White Book contains two parts. The first one briefly explores the strategic challenges faced by the personal and household services sector and which should be overcome in order to ensure its sustainable development throughout Europe. The second part presents public policies towards personal and household services implemented in ten EU Member States.

Part one - Strategic challenges of a sustainable development of personal and household services throughout Europe

All over Europe, personal and household services are characterized by various specificities that need to be taken into account, if one wants to ensure a sustainable and successful development of the sector. The main specificities that spring to mind are the social collective benefits of the sector, its high job creation potential, the prevalence of undeclared work and finally its need of public supporting measures.

Our societies are currently facing various **socio-demographic challenges** such as the ageing of the population and increasing life expectancy. Thus in 2010, 17,4 % of the European population was over 65 years old and this number is expected to increase up to 28 % by 2020. It leads to increasing needs for care for the elderly whereas the number of potential carers is decreasing as more women are entering the labour market, childbirth is postponed and fertility decreases. In the coming years, this situation will result in greater conciliation difficulties and imbalances, especially for women. In 2010 already, 22% of EU workers expressed dissatisfaction with their work-life balance.

In this context, the development of personal and household services has many **social collective benefits** for our societies. It allows elderly and dependent people to stay in the comfort of their home while postponing the onset of dependency and strengthening their social inclusion. It maximizes the autonomy in long term care and offers a necessary support for family carers. In addition, personal and household services and particularly childcare and housework services are a major tool to overcome everyday life difficulties. Thus, the prospect of reconciling work and family life very much depends on the availability of quality, accessible and affordable PHS.

Furthermore, the personal and household services sector creates long-term and non-transferable jobs for people with low or no qualification that are usually on the fringes of the labour market. Thus, they contribute to the reduction of unemployment, the strengthening of workers' social inclusion and their reintegration of the labour market.

Due to these socio-demographic challenges, the demand for personal and household services has increased and is expected to keep increasing in the coming years. Since 1993 the personal and household services sector has been identified by the European Commission as a **strategic economic sector** and in the last two decades, several EU countries have implemented measures supporting the development of the sector.

In April 2012, the European Commission adopted a Staff Working Document in which it estimates that the PHS sector has a **job creation potential** of 5.5 million full time equivalent jobs across the European Union. Public supporting measures already created more than 150 000 jobs in Belgium, 250 000 jobs in Germany, 330 000 jobs in France and 126 000 jobs in Spain. Formal employment in the sector is estimated at 7.5 million jobs throughout Europe. In addition, public interventions implemented in Belgium, France and Sweden have shown a positive effect on the creation and/or growth of 1.200, 8.300 and 13.500 SMEs, respectively.

Another important characteristic of the PHS sector is the **prevalence of undeclared work** which remains difficult to estimate. A survey conducted in 2007 by the European Commission (in which

undeclared work encompass both work carried out for money and work done in return of an in-kind payment) reveals that 11% of the EU27 population admitted to have bought goods and/or services connected with undeclared work. Among the buyers, 17% named household services (such as house cleaning, care for children and the elderly, gardening) and 8% personal services (such as hairdressing or private teaching) as being their most important acquisition stemming from undeclared work. Taking these figures into account, the European Commission concludes 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 million¹”. However, this estimate could be considered as rather conservative because people may tend to under-report their recourse to undeclared work in a survey. Another estimate made in November 2011 for the French Ministry of Economy considered that the share of undeclared work in the PHS sector amounted to 70% in Italy and Spain, 50% in the United-Kingdom, 45% in Germany, 40% in the Netherlands, 30% in Belgium and France and 15% in Sweden.

Undeclared work can compensate an insufficient supply, but above all, it has numerous negative consequences such as a total lack of social rights, protection against health problems as well as unsafe working conditions and unfair salary conditions. The prevalence of undeclared work can be explained by the fact that the sector is characterized by a high employment content (i.e. the price paid for the services is made up almost entirely of workers’ wages) and by the fact that the formal provision of PHS is quite costly for most Europeans.

Taking into account all specificities listed above, it is clear that the development of the personal and household services sector faces numerous obstacles. Traditional market rules appears to be insufficient to ensure the formal development of the sector which is most of the time left to the undeclared employment market. Therefore, **public intervention is necessary** to encourage the formal provision of personal and household services. It is justified not only because of market failures and the prevalence of undeclared work but also because of the collective benefits generated by personal and household services.

EU Member States face the same demographic challenges and most of them lack the strategies required to ensure the formal provision of personal and household services. As their cultural heritage, social protection systems and public policies are different, any successful public intervention supporting the PHS sector should be specific to each country. Past experiences have shown that most of them have been fine-tuned over the years.

Public intervention in the PHS sector consists in a mixture of policy objectives either in the field of social, employment or economic policies. It involves a mix of demand and supply-side interventions through different and complementary set of actions. In most European countries which have implemented measures supporting the formal provision of personal and household services, tools ensuring the solvency of the demand have appeared to be the more commonly used. In many cases, by subsidizing the demand, Member States guarantee to users the access to the formal market at an affordable price, thereby reducing the share of undeclared work in the sector. In addition, tools can be implemented by companies for their employees through co-financing schemes facilitating the access to personal and household services in the aim to favor work-life balance.

¹ European Commission, “Commission staff working document on exploiting the employment potential of personal and household services”, SWD (2012) 95 final, April 2012.

As well as instruments contributing to reducing the price of personal and household services, EU Member States' public authorities may have implemented simplified procedures for hiring domestic workers and new labour legal frameworks which may create specific statuses for employees. Moreover, many public authorities resort to vouchers in their supporting measures targeting the personal and household services sector as they are recognized as being easy to use and flexible instruments improving the solvency of the demand and facilitating administrative procedures. All these supporting measures represent for the State either a direct investment (through direct subsidies to providers or user's access to allowances) or a loss or revenue generated for example by tax exemptions or VAT reduced rates. This is why, their relative benefits and drawbacks should be carefully analysed.

In order to foster the development of the personal and household services sector, EFSI took an inventory of **five areas in which common work and reflections should be conducted** at the EU level :

- 1. knowledge about the personal and household services sector should be improved.** EU-wide reports and analysis remain scarce even though experience-sharing fosters knowledge-building and helps creating innovative solutions and anticipating future needs. Sharing best-practices can help public authorities to overcome conceptual problems such as matching the supply with the demand, fixing the solvency rate, enhancing the PHS and employment quality. It is also crucial to successfully deal with technical problems that may have already been addressed by other public entities through the implementation of innovative and diverse tools.
- 2.** The concept of personal and household services is broad and its implementation varies according to the needs of public authorities. It includes various activities such as care services for the elderly and children, housework services (such as cleaning, ironing or gardening) remedial classes, shopping delivery etc. These activities have traditionally been carried out privately and informally within households and they are now outsourced to professional workers. This latest can either be employed directly by the users or by a for-profit, a non-profit or a public provider. In addition, many countries make a clear distinction between identical PHS services when they are provided through Welfare provisions and when they are not, which is reflected by different regulations in terms of provision, quality, working conditions, etc. and prevent any integrated approach. This diversity between and across Member States makes common-thinking harder at EU level. This is why an **EU-wide understanding of PHS should be implemented** and statistical data should be improved correspondingly.
- 3.** In European countries which have implemented for several years measures to support the formal supply of personal and household services, the cost of these measures may be discussed among the political sphere and considered as being too high. The cost of supporting measures appears to be an obstacle to a wider support to the personal and household

services sector, especially in the current economic and financial crisis. By adding budget constraints to public finance, this context may prevent public authorities implementing new supporting measures or might put into question some existing ones. However, cost-benefit assessments have been conducted in several countries and their results demonstrate that economic impact of such measures is rather moderate, neutral or even beneficial for public finance. Therefore, **cost-benefit assessment analysis of PHS supporting measures should be developed** throughout the EU so that Member States have a comprehensive vision of their

4. It is fundamental to **improve job quality and professionalization** in the PHS sector. Working conditions should be enhanced in terms of professional status, wages, contract duration, working hours, career prospects, etc. Sectorial social dialogue, involving both workers and employers' organizations, should be implemented with the aim to adopt codes of conduct and bargaining agreements. Such a participation of both parties is needed, but is unfortunately not the reality today in most EU Member States. In addition, personal and household services require various professional and interpersonal skills and competences, especially for services such as child care and long term care for the elderly and for persons with disabilities. But, these competences notably suffer from a lack of recognition. Then, a stronger professionalization of the sector is required, concurrently with improved working conditions. It should concern the development of customer contact and organisation skills, services' design and delivery and the prevention of occupational hazards. It must consist of both a targeted initial training and lifelong learning as well as on a recognition of prior (informal) learning. These measures will enhance the attractiveness of employment in the PHS sector and thus contribute to meeting the increasing and more sophisticated demand for these services in the future.

5. More should be done on the **use of ICT and new technologies** in personal and household services. An increased use of ICT and new technologies improves services' quality and efficiency, offers opportunity to develop more integrated solutions and creates some productivity gains. In addition, it could provide innovative solutions in terms of workers' professionalization and social inclusion. It should be explored more in depth how and to which extent can the recourses of ICT and new technologies in PHS benefit both workers and users.

Part two – Overview of the strengths and weaknesses of public policies toward personal and household services in ten European countries

The second part of this White Book presents public policies toward personal and household services implemented in ten European countries, namely Austria, Belgium, Finland, France, Germany, Italy, the Netherlands, Spain, Sweden and the United-Kingdom. Without pretending to be comprehensive, it provides an overview of the broad policies implemented in those countries and in some cases it describes programs with a more limited scope. This second part is built on EFSI members' expertise as well as other external contributors (i.e. international organisations, public entities, academics, think tanks, etc.)

Christa Larsen from the Institute for Economics, Labour and Culture (IWAK) has developed in 2011 a model that could be used to identify the strengths and weaknesses of the public instruments presented in this second part². Entitled "generalized model of domestic services", its added-value is its independence from national situations as well as its integrated approach. The model's hypothesis is that the principal political goal of public policy supporting personal and household services is the creation of regular jobs in private households. It defines three target groups of the public policy (users, employees and firms) as well as specific sub-goals and corresponding objectives such as quality or transparency. Thus, for example the sub-goal of users' group is the reduction of costs and complexity. In order to reach this sub-goal, public policy should notably ensure that services' supply is transparent, reliable, available and accessible for users.

However, in our case the usefulness of this model is limited for two main reasons : (1) the model used has been developed for domestic services whereas the scope of the political measures under scrutiny being personal and household services is broader and (2) public authorities implementing measures supporting personal and household services may have different goals from the sole creation of regular jobs in private households (i.e. the development of care for dependent persons or enhancing citizens' work-life balance).

This is the reason why, using Christa Larsen's "generalized model of domestic services" as a starting point, EFSI has elaborated a general model for a systematic and common assessment of public policies implemented in EU Member States to support the development of personal and household services. This model sets out the different goals that can be followed by public authorities. It is important to stress that many public entities of different state's level can be involved in the implementation of PHS supporting measures such as financial authorities, social administrations, labour administrations and public administrations for governance and control. Then, the model sets out the various sub-goal and objectives belonging to the three target groups of public policies namely users, employees and service providers. EFSI general model has been sum up in the table one below. Neither the sub-goals nor the objectives should be considered as an exhaustive list. However, they allow a good appraisal of policies implemented as well as the identification of areas where policy

² This model was developed in the framework of the EU project "*Labour market measures for reducing illegal employment in private households of the elderly*" supported by the European Commission's Directorate General for Employment, Social Affairs and Inclusion. More information on : <http://www.iwak-frankfurt.de/domesticservices.htm>

development remains insufficient in order to ensure the sustainable development of personal and household services.

Thus, based on the objectives listed in this table, the White Book attempts to identify the main strengths and weaknesses of each policy instruments presented, as well as potential future challenges. This process has been made thanks to several studies assessing those public policies and consultation with national stakeholders. The latter have been asked to answer the following questions : *“according to you, for each target groups which objectives of EFSI generalized model have been achieved by public policy supporting PHS development in your country ? Which objectives have been partially achieved ? Which objectives have not been achieved ?”*

Finally, as public policies supporting the development of personal and household services represent for the State either an investment (through direct subsidies to providers or users' access to allowances) or a loss of revenue (through tax exemptions or VAT reduced rates), this second part will also highlight – when available – figures on public policies efficiency.

Table 1 : EFSI general model for assessing public policies implemented in EU Member States to support the development of personal and household services.

Challenges and opportunities for a greater welfare in society as a whole

PUBLIC AUTHORITIES GOALS			
<i>Social policy</i>	developing home care for dependent persons, developing childcare provisions, strengthening social inclusion of the most vulnerable, etc.		
<i>Employment policy</i>	combatting undeclared work, creating new jobs, creating employment opportunities for unemployed and low-skilled people, enhancing professional and private life balance, increasing women integration to the labour market, etc.		
<i>Economic policy</i>	fostering the development of the PHS sector, structuring the supply, overcoming market failures, etc.		
TARGET GROUPS			
	USERS	EMPLOYEES	SERVICE PROVIDERS
Sub-goal	<i>Reducing costs and complexity Guaranteeing equality of access</i>	<i>Improving working conditions Improving workers' qualification Labour market integration</i>	<i>Improving efficiency and quality</i>
OBJECTIVES	<ul style="list-style-type: none"> ▪ transparency ▪ availability ▪ accessibility ▪ choice ▪ quality ▪ reliability ▪ affordability ▪ sustainability ▪ administrative processing 	<ul style="list-style-type: none"> ▪ transparency ▪ professional status ▪ career prospects ▪ regular jobs with all the associated rights and benefits : pensions, holidays, sickness, etc. ▪ access to professional trainings and recognition process of prior (informal) learning 	<ul style="list-style-type: none"> ▪ transparency ▪ facilitated market entry ▪ market stability ▪ quality ▪ sustainability ▪ development perspectives

1. AUSTRIA

a. Household services vouchers “Dienleistungsschecks”

Introduced on 1 January 2006 with the aim to reduce informal work and to improve domestic workers' social protection, the household services vouchers enables people using household related services (i.e. childcare, care of elderly people, gardening, domestic cleaning and home maintenance) to pay for these by vouchers instead of cash, including some social insurance contributions.

Thus, prior to engaging a household worker, users have to buy “Dienleistungsscheck” vouchers at post offices, tobacconists' shops or on the internet. Vouchers **nominal value is €5 or €10** but vouchers with any other value can be ordered directly from the authority managing the scheme, the VAEB³. Thereafter, the worker has to submit all the vouchers received at the end of the subsequent month to VAEB, who will converse the submitted vouchers into cash.

Pay rates are freely agreed by the two parties involved and a minimum pay threshold has been set equivalent to the minimum pay scale under the Act governing Domestic Help and Domestic Employees (“Hausgehilfen-und Hausangestelltengesetz”). By paying for the service with the voucher, users have fulfilled all social insurance obligations on behalf of the worker. However, workers benefit from a minimal social coverage as they are not entitled to unemployment, sickness or pension benefits.

Generally, “Dienleistungsscheck” 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.

Since 2006, the household services vouchers system developed progressively. Thus, in 2012, **427 709 “Dienleistungsscheck” vouchers** were sold for an amount of **€ 4 277 088** which represented an increase of 30.3% compared to 2011 and around 2 870 people were purchasing “Dienleistungsscheck” vouchers monthly. Assuming the cost of an average hourly hour of about €11, this system contributed to the **formalization of 1.55 million work hours** since its introduction.

Assessing the strengths and weaknesses of the “Dienleistungsscheck” vouchers reveals that there is room for improvement, notably towards employee. Thus, the constant increase of the use of the “Dienleistungsscheck” vouchers indicates that the objectives of transparency, availability, accessibility, affordability and administrative processing have been met for users. However, no data were found to evaluate users' satisfaction in terms of choice, quality and reliability of the system. The evaluation of the objectives related to employees is more mitigated. Indeed, short term employment contracts prevail in the system and workers are not entitled to regular rights and benefits. One can conclude that the objectives of professional status, career prospects and regular rights and benefits has not been achieved. Furthermore, no information was found on workers' access to professional trainings and recognition process of prior (informal) learning. All in all, the system is not very attractive for workers.

³ Being the Insurance Association for Railways and Mining Workers (“Versicherungsanstalt für Eisenbahnen und Bergbau” –VAEB).

b. Potential budgetary impacts of improved childcare provision

A study conducted by the Austrian Federal Chamber of Labour⁴ in May 2013, illustrates the positive economic and fiscal effects of investment in childcare services. It shows that these investment have considerable employment effects and make substantial additional revenues for public funds possible. The model calculation assumes that the Federal Government and Länders' effort toward childcare provision should be threefold : (1) the creation of 35 000 additional seats for children under three years old, (2) the improvement of the opening hours for the 70 000 existing seats and (3) the increase of the number of teachers per group of young children. This effort would represent an additional investment of €100 million per year by the Federal Government and a similar investment by the Länders, on top of the ongoing childcare expenses.

The Austrian Federal Chamber of Labour estimates that it will create between 30 000 (most pessimistic scenario) and 45 000 (most optimistic scenario) new jobs. These jobs will comprise of direct job in childcare but also in surrounding sectors as well as parents engaging in paid labour. Even in the case of relatively pessimistic assumptions about growth of the economy and employment, the Austrian Federal Chamber of Labour concludes that the costs of more and improved childcare will at least be neutralized by the additional revenues (additional taxes and contributions and reduction in unemployment benefits). In addition, once investment in construction is completed, the returns could exceed the costs by €14 to €168 million.

⁴ Austrian Federal Chamber of Labour, *"Economic and Fiscal Effects of Improving Childcare in Austria"*, May 2013

2. BELGIUM

a. The “Titres-services/Dienstencheques” vouchers scheme

In Belgium, public support to the public and household services sectors materializes mainly through the “Titres-services/Dienstencheques” vouchers scheme. Created by the law of 20 July 2001 and modified by the programme law of 22 December 2003, this scheme allows private individuals to get formal domestic assistance at a reasonable price by using a voucher.

Private individuals can buy service paper and electronic vouchers in order to purchase domestic help, ranging from housecleaning, laundry and ironing, to sewing, meal preparation, and transport for less mobile people. Each voucher costs the user €8.50 (up to 400 vouchers, thereafter the price is set at €9.50 per voucher) and it entitles him to consume one hour of domestic help from a registered company. Users cannot buy more than 500 service vouchers per year. However, single parents families, disabled people (and parents of children with disabilities) and elderly people receiving a dependency allowance for the elderly are allowed to buy up to 2000 service vouchers per year. Users must date and sign the service voucher and hand one voucher per worked hour over to the worker. Then, the worker passes the service vouchers on to the recognised company, which in turn sends them to the issuing company in charge of refunding the value of the service voucher to the company.

The registered company receives a **government subsidy of €13.54** per hour on top of the €8.50 paid by users. Thus, the total exchange value of a service voucher is **€22.04**. In 2011, 105 273 001 vouchers were reimbursed and there were **2 708 service-voucher companies** active on the market which were either a non-profit organisation, a private operator or a public and semi-public organisation. In addition, users benefit from a 30% tax deduction or a tax credit up to €1380 per year, so that the net cost is only €5.95. In 2011, there were **834 959 users** of the system (+10% compared with 2010), that is **17% of all Belgian households**.

The initial political aim of creating 25,000 new jobs by the end of 2007 has largely been achieved as there were **149 827 service vouchers workers** in 2011. The Belgian National Office of Social Security estimates that there were more than 63 454 FTE jobs in the sector in 2012. Service vouchers workers enjoy the same benefits than an employee with a classic work contract, a salary based on the scales in force, and comprehensive social insurance against accidents. In 2011, their average **net hourly wage was €10,54** (+2,83% compared with 2010). The Belgian social dialogue ensures that an agreement covering service vouchers’ workers working conditions and wages is negotiated every two years. Furthermore, several social funds were created in order to enable service vouchers companies to ask for the reimbursement of vocational training costs and 38,2% of service vouchers workers benefit from professional training in 2011. In addition, the possibility to make professional training for each new individual worker compulsory by January 2014 is currently discussed by social partners.

The assessment of the “Titres-services/Dienstencheques” vouchers scheme is positive. Indeed, all objectives seems to have been achieved concerning workers and users. If services’ quality might not be completely satisfactory, many measures have been implemented to improve it. “Titres-services/Dienstencheques” workers benefit from a full professional status with regular rights and benefits and access to professional trainings. The objective of career prospects has also been achieved as some workers accessed management and administrative functions. Finally, one can said

that the objectives of facilitated market entry, quality, sustainability and development perspectives have been met for services providers. However, the objective of market stability has not fully been met, as the system has been regularly modified since its introduction. Thus, the price of the voucher is very close to the price on the undeclared market (as from 1st January 2014, the price will be set at €9 and €10), which remains its main competitor. In addition, the “*Titres-services/Dienstencheques*” vouchers scheme will be regionalized in 2015 and will thus probably undergo several changes in the coming years. Only the labour law requirement will remain the competence of the Federal government. The Regions will be competent to determine the eligible activities, the price and the professional and vocational training aspects.

b. The economic efficiency of the service vouchers scheme

As a preliminary remark, it is interesting to stress that Belgium is the only country which mandate each year an independent organisation to conduct an assessment⁵ of its “*Titres-services/Dienstencheques*” voucher scheme. Since 2010, this yearly evaluation has estimated the direct and indirect earn-back effects generated by the system. Thus, the gross cost of the service voucher scheme was estimated at **€1.655 billion in 2011**. This amount comprises of the public subsidy for the voucher scheme (€1.4 billion), the voucher scheme’s management cost (€13.3 million) and the tax rebate (€220.9 million). Due to its success, the gross cost of the system increased over the years from €1.020 billion in 2008 (for 557 482 users and 103 437 workers) to €1.655 billion in 2011 (for 834 959 users and 149 827 workers).

However, the yearly evaluation conducted by Idea Consult estimated that for 2011, the creation of service vouchers jobs generated direct earn-back effects (reduction of unemployment benefits, additional income tax and social security contributions) amounting to € 655 978 364. Furthermore, indirect earn-back effects linked to the creation of new companies and support functions (management and administrative jobs) amounted to €87 995 888. Thus, the net cost of the system amounts to **€911.3 millions** and direct and indirect effects of 1st category **reduced by 45% the gross cost**.

In addition, the Idea Consult assessed the indirect earn-back effects of 2nd category as being comprised between €380 million and €520 million. These indirect earn-back effects of 2nd category include savings generated by the replacement of service vouchers workers and administrative staff in their former jobs, additional VAT revenue from VAT due to extra consumption and additional tax revenue due to extra hours worked by users thanks to a better work-life balance. In consequence, when taking into account the direct and indirect of 1st and 2nd category earn-back effects, the net cost of the service voucher system is around 30% of the gross cost⁶. Thus, in 2011 public authorities had to pay **€ 3 520 net to finance one worker** in the service voucher system (i.e. taking into account direct, indirect and of second best indirect earn-back effects).

⁵ Idea Consult, “*Evaluation du régime des titres-services pour les services et emplois de proximité 2011*”, final report on behalf of the Belgian Federal Public service Employment, Labour and Social Dialogue, July 2012

⁶ Jan Vanthynne, Representative of the Belgian Federal Public service Employment, Labour and Social Dialogue, during the European Commission’s Conference on exploiting the employment potential of personal and household services, 30 and 31 January 2013, Brussels,

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

3. FINLAND

a. Tax scheme for domestic help “kotitalousvähennys”

Introduced in 2001 with the aim to discourage undeclared work and simultaneously encourage formal employment, the tax credit/deduction scheme offers the opportunity to deduct a proportion of the costs of domestic services through the tax system. The domestic services eligible are : cleaning, gardening, renovation and home repairs, care for an elderly person or a child in the home, installation, maintenance of support of information technology (IT) and telecommunication in the home. As such, the scope of the tax scheme is broader than the personal and household services sector.

Users can deduct from their income tax **40% of the expenses** when they bought the services from a registered provider **or 15% of the wage** and 100% of the employer social contribution when they employ directly the worker. The ceiling of the tax scheme is **€2000 per year per person** and it can be used for services performed in their home, in their parents’ or spouse’s parents’ home as well as in their holiday home. Users are not eligible to the tax scheme if the household has already been supported by public subsidies or financial support in the framework of care policies (e.g. support for family carers, LTC voucher, family day-care allowances, etc.) or through a series of other arrangements (e.g. employer’s low-wage support, subsidies for repairs and home improvement paid by public authorities, etc).

In 2010, the tax credit scheme were used by **370 000 household**, with an average tax deduction over €1000 and the total deduction granted amounting to **€165 millions**. According to the Finnish Tax Administration, the tax reduction on housework services (and renovation services) principally goes to highest-income household.

In 2004, the number of jobs created or existing in the sphere of the domestic help tax scheme was estimated to amount to around 10 000 full-time equivalent jobs. However, personal and household services only form a minor part of the services bought under this scheme as in 8 cases out of 10, the tax deduction is used for renovations and home repairs. Thus, job creation in the housework sector is estimated at around 1 000 full-time equivalent jobs. These jobs are considered market-based and permanent. The tax scheme have also had an impact on undeclared work, as it was estimated in 2004 that its share has decreased from 60% to around 25%.

A study conducted in 2006 by Niilola and Valtakari⁷ estimated the earn-back effect of the whole system (i.e renovation, housework and care services) and concluded that the scheme has in 2004 a positive return of €148.6 million for public finance. According to another study conducted for the European Commission⁸, if we only take into consideration domestic services purchased thanks to the tax incentives, the gross cost for the State was €11 million in 2004. The earn-back effects are estimated at €12.7 million, resulting thus in a net benefit of €1.57 million for the State.

⁷ Niilola Kari & Valtakari Mikko, “Kotitalousvähennys”, Työpoliittinen tutkimus 310, 2006

⁸ European Commission, “Developing personal and household services in the EU – A focus on housework activities”, June 2013

The assessment of “*kotitalousvähennys*” tax scheme is positive as on a whole all objectives have been met or partially met for users, service providers and employees. The latter were –most of time – previously employed on the undeclared market and they thus can now enjoy a professional status with regular rights and benefits. However, there is room for improvement in terms of services’ accessibility and affordability for users.

b. Long-term care vouchers

In Finland, municipalities are responsible for financing and providing social and health care services. Thus, they can choose to provide services independently themselves (mostly through municipal social service departments), to provide/organise services together with another municipality, to buy the services from the private providers or to give beneficiaries long-term care vouchers.

Introduced in 2004 with the aim to increase users’ freedom of choice, to support elderly people to live home longer and to improve employment by encouraging small firms to enter home care market, this voucher system is non mandatory. Beneficiaries must be given choice to get the same services directly from the municipality if they wish so.

The voucher can be used to purchased only privately provided services such as home help, home-nursing services and the majority of health services. The value of the voucher is determined by a formula that takes into account household size and income (but its value is not regulated), with the service users paying the difference between the value of the voucher and the full price of service. The amount of the co-payment differs across providers, as they are allowed to price their services competitively. The user’s deductible limit of the value of voucher is not allowed to exceed a municipality’s user charge from similar services. Municipalities have the responsibility for acknowledging a list of private providers allowed to offer voucher-purchased services and for monitoring the quality of the providers. The user can choose and change a provider freely.

In 2006, around **26% of the Finnish municipalities** used a voucher services to grant services to more than **4 000 beneficiaries**. Its use has increased in the latest years but remains quite modest. The services provided most often included home help and cleaning services and services in support of informal care given by relatives.

4. FRANCE

a. Universal service employment vouchers “Chèque emploi service universel”

In order to facilitate access to formal personal and household services, the *Chèque emploi service universel* (CESU) was introduced in 2006. Builds upon previous systems, it simplifies the formalization procedures in order to convert undeclared work into declared work and create new jobs on a legal basis. There are two different types of CESU : the “*CESU déclaratif*” and the “*CESU préfinancé*”. Both of them allows private household to benefit from a 50% tax deduction or credit for the purchase of personal and household services. The yearly ceiling of the tax deduction or credit is set at €12 000 per household, €13 500 per household with a dependent child, €15 000 per household with dependent children and €20 000 per household with dependent people.

Since 2009, 25 activities are recognised by the French law as personal and household services. These activities are grouped in three categories :

- **Family services** : child-minding, childcare outside the home, transport assistance for children, school help, home lessons, IT assistance and administrative assistance.
- **Home services** : housework/ironing, gardening, DIY, preparing meals (including doing the shopping), delivering meals, delivering ironed clothes, delivering the shopping, home maintenance and watch, tele and video assistance, putting in touch.
- **Services for the elderly, dependents and the disabled** : assistance for the elderly people, assistance for the disabled people (such as sign language interpreter), nursing (except medical care), beauty care, pet care and walks, minding mobility and transport assistance, driving the beneficiary’s vehicle, transport/assistance outside the home.

i. The “CESU déclaratif”

It eases the process of declaring an employee working at home or a registered child-minder by reducing administrative burden. Users need to register to the *Centre national du Chèque emploi service universel* (Cncesu) in order to obtain a CESU checkbook. They can use these checks in exchange of services provided by a domestic worker or a child-minder and must report to the Cncesu the salary paid. Then, the corresponding social contributions are calculated and directly deducted from users’ bank accounts. Finally, the Cncesu address the proof of employment to the employee, exempting the employer to establish a pay slip. In 2007, 1.4 million private households used the “*CESU déclaratif*” to report 733 300 employees.

ii. The « CESU préfinancé » or pre-financed voucher

The pre-financed voucher is pre-funded (totally or partly) either by a company for its employees (the voucher is said “*CESU HR*”) or by a local authority or a social agency for recipients of a benefit (“*CESU social*”). It is issued on the name of its beneficiary for a definite period. It has a predefined amount and can be used to access some predetermined services provided by an employee working at home; a registered child-minder; an approved organisation providing PHS ; a mandatory organization or a childcare facility (crèche, day nursery, kindergarten and after-school care). Pre-financed vouchers are issued by organizations which have an agreement with the State about issuance and billing. In 2012,

€688 millions of pre-financed vouchers were issued for the benefit of **922 000 users**. There were 12 900 companies and local authorities using the system.

The “**CESU HR**” gives employers the opportunity to grant their employees a non-monetary bonus to facilitate their access to personal and household services (excepting putting in touch services). Significant tax reductions are attributed to companies implementing CESU solutions, as an incentive : social security contributions exemption, deductibility of charge and tax credit. The number of companies that employ this gratification has significantly increased over the years, especially in the category of small and medium-sized companies.

The “**CESU social**” is used by local authorities and pension funds, in order to distribute subsidies or allowances (such as the Personalised autonomy benefit and the allowances for handicap compensation) for their citizens in needs : senior citizens, person in need of nursing care or disabled people. In 2010, **17 departments** used the “*CESU social*” voucher to manage the payment of social allowances to **67.000 beneficiaries** for an amount of **€220 millions**. Beneficiaries of social allowances can use the “*CESU social*” voucher to have access to services supplied by providers of home services (in 8 departments) or an employee working at home (in 16 departments). By using the “*CESU social*” voucher, local authorities benefit from a traceability of social allowances, the possibility to adapt the allowance to the needs of beneficiaries and the reimbursement of the allowances that had not been used (in 2011, €27 million out of €304 million distributed).

Assessing the Universal service employment vouchers reveals to be positive for both users, service providers and employees. Indeed, the objectives of transparency, availability, accessibility, choice, quality, reliability, affordability, sustainability and administrative processing have been met. Employees benefit from a professional status, regular rights and benefits and have access to professional trainings. Finally, the objective of quality is achieved for service providers as they must be registered. However, there is still room for improvement for the objectives of facilitating market entry and of market stability.

b. The efficiency of personal and household services supporting measures

In France, measures supporting personal and household services are various : reduced VAT rates or exemption, exemption of social contribution and corporate tax, income’s tax exemption/reduction, support to voucher system, etc. Their gross cost has been estimated at €6.59 billion in 2009 according to the French “Court of Auditors”. Users’ tax exemption/reduction amounted to €3.54 billion and has benefited to four millions individuals. So far, no comprehensive cost-benefit assessment has been conducted by the State.

However, a study conducted by the audit firm Oliver Wyman⁹ analysed the costs and benefits of the personal and household services sector. The study estimated the direct earn-back effects (reduction in unemployment benefits, additional social security contributions, VAT revenue, corporate tax and local taxes) to amount €5,1 million in 2010. Furthermore, indirect earn-back effects linked to the positive externalities generated by PHS supporting measures (such as an higher female employment rate or less elderly people living in institutional care) amounted to €3,6 million. Thus, Oliver Wyman’s

⁹ Oliver Wyman, “*Services à la personne : bilan économique et enjeux de croissance*”, report on behalf of the FESP, June 2012

study concludes that direct and indirect earn-back effects reduce the cost incurred by the State by €9 billion, thus generating a **positive return of €2.6 billion for public finance**.

Despite the fact the methodology used by the author has been questioned (notably because of several assumptions and an inclusive appraisal of indirect earn-back effects), this study demonstrates nonetheless that personal and household services supporting measures generate important financial returns for the State.

5. GERMANY

a. The “Minijob” scheme

Adopted in April 2003, the “Hartz II” law seeks to create further employment and to reduce informal work especially in “*haushaltsnahen Beschäftigungsverhältnissen*” (domestic services engagement) through lower social contributions and tax deduction or exemption. Those low salary jobs are called **Minijobs**. The law allows people already engaged in formal employment to take up one *Minijob* in parallel and to receive preferential treatment (limited to only one *Minijob* beside the formal employment contract).

Mini-jobs are only considered as such, if the yearly income does not exceed €5400 (thus a monthly average of €450). In this case, employees are only obliged to make contributions to the pension insurance scheme out of their earnings and not to the statutory and health insurance scheme. Employers pay for accident assurance (the level of the contribution depends on the relevant insurance company) and make a contribution of nearly 31% of the wage to the social insurance system. *Minijobs* are not subject to any other taxes.

A special regulation has been introduced for *Minijobs* in private household for which only household services activities are eligible such as cooking, cleaning, laundry, ironing, shopping, gardening, care of children or elderly people. There must be a direct employment relationship as no services agencies or association intermediation is allowed. Private household employers pay a 14.44 % contribution to the social insurance system which also include a contribution to the accident insurance. All *Minijobs* must be declared to the “*Minijob Zentrale*” thanks to a simplified procedures and an easy to handle form sheet. In addition to the reduced contributions, private households (contrary to other *Minijobs* employers) are entitled to deduct from their income tax 20% of the total costs of their *Minijob* expenses (salary and contributions to the social and accident insurance) up to an annual limit of €2550. Thus a maximum of €510 can be refunded.

Over the years, *Minijobs* became more and more popular. In June 2012, there were **243 743 employees working in private households** under the terms and regulations of *Minijobs*.

The assessment of the *Minijob* scheme is mitigated. Thus for users, if the objective of administrative processing has been reached, transparency, availability, accessibility and affordability objectives are only partially met. The scheme is still not widely known among private households and the number of **undeclared workers remains very high as it is estimated at 95%**. In addition, the annual salary cap of €5400 (on average €450 per month) creates problems in terms of overtime hours of extended working scope due to a high demand from private households. Salaries above this annual cap are not eligible under the *Minijob* scheme and that is why users might need to pay extra hours on the undeclared market. Furthermore, the 20% tax deductibility is only available for occupied person (excluding thus poorer and older people).

Concerning workers, the objectives of professional status, career prospects, regular rights and benefits and access to professional trainings have not been reached. Thus, due to its limited attractiveness to undeclared workers and poor working conditions, the *Minijob* scheme has not reduced informal employment to any appreciable extent. Furthermore, a proper control of working conditions and personal treatment of employees in private household is hardly possible.

Finally, service providers are excluded from the *Minijob* scheme and the personal and household services they provide – whereas they offer better working conditions and salaries and guarantee quality – remain too expensive for users. At present, 20% of the costs invoiced by a service provider can be deducted from income tax up to €4000 per year and invoices are subject to a 19% VAT rate. Thus, there is not much room to facilitate market entry and ensure development perspectives of service providers.

b. The “Kita-Gutschein” day care centre voucher system, district of Hamburg

The District of Hamburg has introduced in August 2003 a day care centre voucher system called “Kita-Gutschein”. By partially covering the cost of childcare expenditures, the “Kita-Gutschein” system ensures that families –whose parents are either working or in professional training - have access to care and educational facilities for children under the age of 14.

Public support granted to parents is mean and need tested. Once their demand is accepted they receive the “Kita-Gutschein” vouchers and a notice of authorization indicating the beginning and end of the cost reimbursement (authorized period) as well as their share of the costs. They are free to choose the types of childcare they prefer (i.e. day care centre or child-minders) as well as the provider.

Childcare providers are not eligible to direct subsidies from municipal authorities. They receive direct payments and “Kita-Gutschein” vouchers from parents. Then, they must send the vouchers to the Youth Welfare authority of Hamburg in order to get refunded. Childcare providers are the sole responsible of the care provision and management. In this market-oriented system, childcare providers, independently and autonomously, adapt their offers, tailor it to parents’ needs and eventually build new kindergartens. In addition, it leads to a continuous competition on quality.

Thanks to its flexibility and transparency, the “Kita-Gutschein” system has successfully managed the expansion of childcare provision. The District of Hamburg can now guarantee a childcare seat for every one year children (as it is compulsory since the 1st of August 2013) while taking part in more than 1 000 childcare day care centre. Thus, the number of **children under three** years old enrolled in formal childcare **increased approximately from 6 700** in March 2008 to **17 700** in March 2012 and reached approximately **21 500** in August 2013. This represents an enrollment rate of children under three of around 43%. In consequence, the District of Hamburg reports very good performance as in March 2013 its enrollment rate (38,4%) was 9,1% higher than the average German rate (29,3%).

Thanks to “Kita-Gutschein” vouchers, early childhood education services have also increased significantly in recent years. In March 2013, about **44 700 children** aged between three and six years old were enrolled in day care centers, family day care and pre-school classes which represent a **15% increase** compared to March 2008. Thus, 94% of children between three and school age (i.e. six years old) were enrolled in formal childcare in March 2013 which represent a 8 percentage points compared to March 2008.

In the coming years, Hamburg plans to expand the structural quality of day care centers in underprivileged districts especially in terms of social integration of children with a migrant background or at risk of poverty. Since January 2013, in the framework of the Kita-Plus program,

professional staff has increased by 24% in approximately 280 day care centers for children between three and six years old. In addition, specific funds will be allocated to language teaching.

In addition to the quantitative expansion of early childhood education and care, the Hamburg Senate designated the quality improvement of young children's education, training and care as an important policy objective. Therefore, the quality of all Hamburg kindergartens should be regularly reviewed by independent experts which notably identify the development requirements.

6. ITALY

a. "Buoni Lavoro occasionale accessorio" vouchers

Introduced in 2003, the "*Buoni Lavoro occasionale accessorio*" vouchers were created in order to fight undeclared work, to promote labour market inclusion and to regulate occasional work. This vouchers regulate occasional work in a broad range of activities such as : personal and household services (such as housework, cleaning, gardening, and tutoring), maintenance of buildings, seasonal and agricultural activities, organisation of sporting or cultural events, door to door newspaper delivery, activities within tourism, trade and services' sectors, etc.

These vouchers can be used by private individuals, firms, public institutions, non-profit sector, self-employed persons and family businesses to pay casual employment. Thus, all activities must be carried out in an occasional and discontinuous way and are characterized by a direct employment relationship between the worker and the end user.

Buoni Lavoro vouchers can be bought to the National Social Security Institute (INPS), on paper or electronically, and they can be used during twenty-four months. There is three nominal value for the vouchers : €10, €20 and €50. The nominal value include the separated management cost of INPS (13%), a contribution to the INAIL insurance accidents (7%) and the redistribution of service cost of INPS (5%). The net value of the voucher for the worker is then €7.50, €15 or €37.50 respectively.

Only a limited number of persons are entitled to work under the scheme, namely : long-term unemployed, housewives, students, pensioners, disabled people, people in rehabilitation centres, non-EU citizens living legally in Italy and unemployed for less than six months. They can work in the *Buoni Lavoro* vouchers scheme up to €5 000 net revenue (€ 6 666 gross) perceived per year. When they work for family businesses, self-employed workers and firms, the ceiling is fixed at €2 000 net (€ 2 666 gross) per year per employer. Workers benefit from INPS social security coverage and INAIL insurance. If the work provided through those vouchers is recognized for pension rights, it does not give entitlement to any income support (such as unemployment allowances, maternity allowances, illness allowances, family allowances, etc..). The revenue of the voucher is exempted from all taxation and does not affect the status of unemployed or unoccupied of the workers.

Buoni Lavoro vouchers' users benefit from an administrative simplification, INAIL insurance covering work accidents as well as a tax reduction. The tax reduction's level differs depending on the type of services provided. In the case of personal and household services, users can deduct up to a maximum of €1,549.37 per year from their income tax.

In 2011, 1.5 million *Buoni Lavoro* vouchers were sold, among which 10% were used to access domestic services.

Assessing the *Buoni Lavoro* vouchers scheme reveals that if the objectives of administrative processing and affordability might have been reached for users, its limited expansion demonstrates some lacks in terms of transparency, availability, accessibility, choice or even quality. In addition, it is clear that workers do not enjoy a professional status, career prospects, regular rights and benefits or an access to professional trainings. This absence of sustainable development of personal and household services results notably from the fact that *Buoni Lavoro* vouchers have only been

introduced to formalize undeclared work in several sectors and without a political will to promote the formal provision of PHS.

b. The AsSaP project

The *Azione di Sistema per lo sviluppo di sistemi integrati di Servizi alla Persona* project (AsSaP - Action System for the Development of Integrated Services to the Individuals) launched within the framework of the 2007-2013 European Social Fund, aims to implement **active policies for employment** as well as **vocational training** in the field of cleaning and personal care services notably for dependent people. The national law framework, entitles workers to being hired under the so-called “*colf-badanti*” contract and enables users to deduct from their income tax up to a maximum of €2000 per year of their expenses related to household cleaners and family assistants.

Promoted and financed by the Ministry of Labour and Social Policies, the project is implemented by *Italia Lavoro* in four Regions : Campania, Apulia, Calabria and Sicily. In each regions, the project seeks to :

- create an efficient regional network of intermediation services of labour demand and supply for household cleaners and family assistants, as well as to promote the reduction of undeclared work, particularly for third countries nationals,
- promote - through national and local intermediation agencies and Labour market services - the professional qualification of PHS workers, and introduce a certified recognition process of informal skills,
- facilitate families' access to PHS services, thanks to intermediation agencies' services. In addition, some Regions decide to grant money transfers to families hiring workers who have participated in the AsSAP project and have completed their training courses.

The project targets unemployed and/or inactive people and poorly skilled workers, who are or could be employed in personal and household services as cleaners and caregivers. PHS' users can either be private families or entrepreneurs, as long as they want to hire PHS workers through permanent or fixed terms contracts for a minimum duration of twelve months.

A **training voucher** has been implemented as an incentive system to promote professional qualification in the sector. They are allocated to trainees and potential workers in order to ensure them access to jobs offered by the intermediations agencies involved in the project. The training vouchers are paid to the intermediation agency only if the worker has completed the course and has signed a permanent or a fix term contract for a minimum duration of twelve months. Two different cash incentives are offered :

- €2 000 for each participant who follows a course of at least 64 hours and signs a fixed or open ended contract as a basic professional (domestic helper, caregivers);
- €2 500 for each participant who follows a course of at least 80 hours and signs a fixed or open end contract as a highly qualified professional.

Thanks to the AsSAP project, a new network of **81 intermediation agencies** able to match supply and demand in personal and household services has been developed in the four Regions. As of the 30 September 2013, a total of 4682 people have participated in training courses, out of which **3726** have

signed **work contracts** with private stakeholders, co-operatives societies and other users. **435 “AsSaP” desks** (i.e. personal and household services desks) have been opened, employing **584 desks operators**, trained to access to **an interactive platform**, called *Wiki for self-training*. This platform was created and is managed by Italia Lavoro, and it is coordinated by a central contact center, providing an email helpdesk service. As a result of its success, the project should be expanded in other Italian Regions in the coming months.

7. THE NETHERLANDS

a. Alpha workers and the “Alfachèque” experiment

The WMO law adopted in 2007 (“*Wet Maatschappelijke Ondersteuning*”) regulates the provision of support and household care for disabled, dependents and elderly people and has transferred the responsibility from the State to the municipalities of providing household care and support whether in kind or in cash through the use of personal budgets (“*persoonsgebonden budget*”).

Alpha-worker are workers hired by elderly or disabled people to perform household care for a maximum of three days per week. They are subject to the Domestic Work regulation of 2007. Thus, people employing Alpha workers are exempt from any social contributions and taxation, layoff authorization or administrative obligation. They can use their “personal budget” attributed by the municipality to pay the alpha worker’s salary. Alpha workers must be paid at least in accordance with national minimum wages (€8,53 per hour in 2013). They are entitled to 8% holidays payment and 4 weeks of paid leave. They don’t receive emoluments part of standard labour contracts, such as participation in pension funds, unemployment benefits and insurance for unfitness to work. Compliance with this scheme leads to administrative procedures and as elderly people were often unaware of the obligations associated with being an employer, the alpha workers scheme is now only considered appropriate for people who are able to take on the role of employer.

Since the beginning of 2010, voucher systems are being experimented under the name of “*Alfachèques*” in several municipalities like Tilburg, Breda, Oisterwijk, Gorinchem, etc.. Instead of providing care in kind, municipalities distribute these vouchers to people entitled to WMO benefits. According to the personal situation of the beneficiary, the municipality determines the amount of hours and vouchers that the beneficiary is entitled to. The “personal budget” granted is directly transferred to the beneficiary’s bank account. With these vouchers, beneficiaries can receive the service from a *Alpha worker* of their choice. One voucher of €12.80 can be exchanged against one hour of domestic work. This amount already includes the holiday payment and the paid leave. The beneficiaries may need to pay a contribution per voucher according to their level of income. As a consequence, municipalities can gain €5 to €6 per hour instead of services in kind, as alpha workers’ employers are exempted from any social contribution. Alpha vouchers provide better control for the municipalities by guaranteeing the vouchers can only be used to pay for services of Alpha workers.

If the “*Alfachèques*” experiment seems to have reach its objectives in terms of transparency, availability, accessibility, choice and affordability. However, Alpha workers do not benefit from regular rights and benefits.

8. SPAIN

a. New regulation for domestic employees

Since 2011, the Spanish government adopted a new regulation concerning the direct employment of a domestic worker by households through the Act No. 27/2011 on the adaptation and modernisation of the Social Security scheme, the Royal Decree 1620/2011 updating the labour relationships of domestic employees and the Royal Decree 29/2012 on the improvement of the management and social security provisions of the special scheme for domestic workers. These texts attempt to bring domestic work legislation in line with legislation in other economic sectors, to foster the transfer of domestic workers from the undeclared to the formal economy and to promote their professionalization.

Thus, the previous Special Social Security scheme for domestic workers has been incorporated into the general Social Security Scheme. The right of domestic workers to social security protection (i.e. health care, occupational rehabilitation, invalidity, retirement, family allowances, social services and social welfare benefits) under the terms and conditions laid down in the General Social Security Scheme has been established. Nevertheless, domestic workers remain excluded from unemployment benefits. Furthermore, the Royal Decree 1620/2011 planned an evaluation of the new social security provisions for domestic workers. Following it, the Royal Decree 29/2012 set up a eight level scale of reduced social security contribution for domestic workers, which corresponds to a monthly salary, ranging from €172.05 to €753,01. From 2014 until 2018, the threshold will be increased in the same proportion as for the minimum guaranteed interprofessional wages.

Adopted in November 2011, the Royal Decree 1620/2011 apply to any labour relationship between a household (as an employer) and an employee who provides services for remuneration within the employer's family household. Labour relationship concluded by temporary employment agencies, by care-providers (whether professional or otherwise) of person in a situation of dependency are excluded from the scope of the Decree. The main provisions of the Decree are :

- the recruitment by the household of the worker should be direct or through the use of public employment services or duly authorized placement agencies,
- a verbal or written contract is compulsory and is assumed to be for an indefinite period. For fixed-term contract of a duration of four weeks or more, the written form is compulsory,
- the minimum inter-occupational wage is guaranteed in proportion of the hours worked and cannot be reduced by in kind payment. Some deductions from wages for accommodation and maintenance are allowed and wage increases are determined by an agreement between the parties or in accordance with the collective agreement,
- a normal working week shall be a maximum of 40 hours. The daily rest period is a minimum of 12 hours and the weekly rest of 36 consecutive hours. Employees are entitled to all leave covered by the Labour code and to 30 days' annual leave.

In Spain, the domestic sector grew considerably over the years. Whereas 360 000 domestic workers were registered in 1998, there were **655 000 domestic workers in 2012** which represents a 81.94% increase. This increase has also been observed in the number of domestic workers enrolled in social security but to a lesser extent (from 181 932 persons in 2004 to 420 471 in September 2013). Indeed

the difference between these figures reflects the persistence of **undeclared work**, which is currently estimated to comprise about **35% of the sector**.

This new regulation resulted in an increase in the number of domestic employees affiliated to social security and a decline of informally employed domestic workers. Thus, the objective of affordability, accessibility, availability and transparency seems to have been achieved for users. However, administrative procedures still needs to be simplified. Concerning workers, despite improved working conditions the objective of a regular jobs with all the associated rights and benefits has been partially achieved whereas the objectives of professional status, access to professional trainings and recognition process of prior informal learning have not been achieved. Finally, no improvement was noticed for service providers as they were excluded from this new regulation whose scope is limited to situations where the household is the employer of the domestic worker.

9. SWEDEN

a. The “RUT-avdraget” tax reduction on domestic work

Introduced in July 2007 by the law 2007:346, the *RUT-avdrag* tax reduction on domestic work seeks to transform undeclared work into declared work, create job opportunities (especially for unemployed or people with low qualification) and contribute to the conciliation of private and professional life.

Users benefit from a **50% tax reduction of labour cost** up to SEK 50 000 (€5 841) per year per person or SEK 100 000 (€11 682) per year per household for the following services : cleaning, window-cleaning, gardening, snow clearing, washing clothes, cooking, childminding and basic personal care services¹⁰. The services must be performed in the taxpayers’ home or in their parents’ home and purchased only from a registered company or a self-employed person. Domestic services provided as a benefit by an employer to an employee are also eligible to the tax reduction. Since July 2009 **users only pay 50% of the labour cost bill** as the provider apply for tax deduction from the tax authority and then get reimbursed for the last 50%.

In **2012**, there were **491 711 users** (compared to 92 470 users in 2008) and €254.6 millions were paid back to companies as reimbursements of the RUT tax reduction. It appears that in 2011, the tax reduction benefited mainly to older people and families with children and 68% of the users had a general monthly income that is under SEK 32 000 (€3 865) or less.

For 2012, there were **14 729 workers** in the sector and undeclared work decreased by at least 10%. In addition, a survey led by the Swedish Tax Agency in 2011 revealed a change of attitudes towards informal employment as 88% of the respondents did not find it normal to buy cleaning services in the informal labour market.

In 2011, the average cost of the system was **€ 176 millions** for public finance (€ 100 million in 2009). According to a study conducted by Företagarna¹¹, the additional revenue generated by the creation of new companies and activities (taxes and payroll taxes) amounted to €100 million in 2009. Thus, **each euro spent by the government in the RUT scheme is reimbursed**. Furthermore, in one takes into account other earn-back effects such as additional personal income tax, extra consumption generated by workers or the reduction of unemployment benefits, the cost-benefit assessment would reveal a positive return for public finance.

The assessment of the *RUT-avdrag* tax reduction is relatively positive. Indeed, the objectives of simplified administrative processing, affordability, reliability, quality, accessibility, availability and transparency related to users have been achieved as the constant increase of the system demonstrates it. In addition, service providers benefit from market stability, sustainability, facilitated market entry and transparency. Finally, the objective of transparency and regular jobs with associated rights and benefits have been achieved.

¹⁰Basic personal care services comprise primarily of help services for the every day life of elderly people. Healthcare services performed by trained and educated professional are not eligible.

¹¹ Företagarna, “*Två år med ROT och RUT*”, August 2010 mentioned in European Commission, “*Developing personal and household services in the EU – A focus on housework activities*”, June 2013, p.56

10. UNITED-KINGDOM

a. The Childcare voucher

Since 2005, the Childcare voucher is an **employee benefit** which help families to afford high quality childcare, enabling parents to continue to work instead of staying at home due to caring obligations. It is offered through a salary sacrifice arrangement by which employees agree to forego part of their salary and receive a corresponding value in childcare voucher which is exempted from tax and National Insurance Contribution. Employers also benefit from national insurance exemptions of up to 12.8% of the voucher's value. Parental access to the scheme is entirely dependent on whether the employer offers the vouchers.

Thus, up to **£55** (€64,5) per week per child can be deducted from the employee gross salary for basic rate tax payers. High earners can deduct up to **£28** (€32,6) per week and top-rate tax payers up to **£25** (€29,9) per week. Both parents can get childcare vouchers, potentially doubling the savings. This sum is directly allocated to the payment of childcare expenses. This support is exempted from employers and employees social contributions as well as from income tax. Parents are free to choose the childcare facility (i.e. childminders, nurseries, after-school club, music lessons, sports clubs, etc.) they want for their children (up to 15 years) as long as the organization is registered at the National Office for Standards in Education, Children's Services and Skills (Ofsted).

Today, approximately **500 000 families** benefit from the Childcare voucher. It is estimated that among the 10 000 000 working parents with children under 16 years, 95% of them could benefit from childcare vouchers.

Since 2005, childcare vouchers have helped approximately **700 000 families** to afford childcare. **Savings** thanks to the use of Childcare vouchers reach approximately **£1800 per year** (€ 2095) for an average family (based on the average cost of childcare of £5,028 per year for 25 hours childcare a week). **83% of childcare vouchers' users are basic rate taxpayers**, with the largest take up being among manual and unskilled workers. In 2007, the Childcare vouchers' system represented a loss of revenue of **£ 240 million** (€ 281 million) of which around **£ 170 million** (€ 199 million) went to families.

Since 1951 the number of UK mothers in employment has more than tripled and the latest figures show that 68% of women with children are now working. This increase is thought to be largely due to the introduction of maternity rights and family-friendly policies, but changing attitudes to work and improved access to higher education have also played their part. A survey conducted in 2013 by the Childcare Voucher Providers Association (CPVA) asked childcare voucher users to select which statements applied to them with regards to the impact of the potential removal of tax exemptions for childcare vouchers :

- 17% of voucher users said they would have to leave work,
- 38% said they would cut down hours,
- 57% said they would reduce their childcare usage.

About EFSI

As the European Federation for Services to Individuals, EFSI brings national federations and associations as well as companies involved in the development of personal services in Europe. Through its members, EFSI is present in 22 EU members' states (Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxemburg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Sweden, United-Kingdom).

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