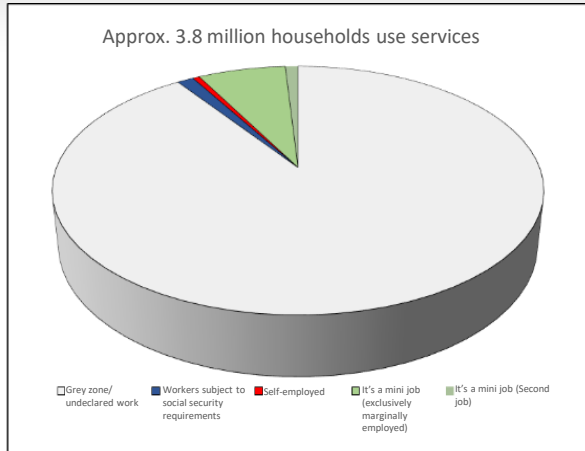


Need for a tax-funded subsidy scheme for household-related services in the Federal Republic of Germany

Labour market private households



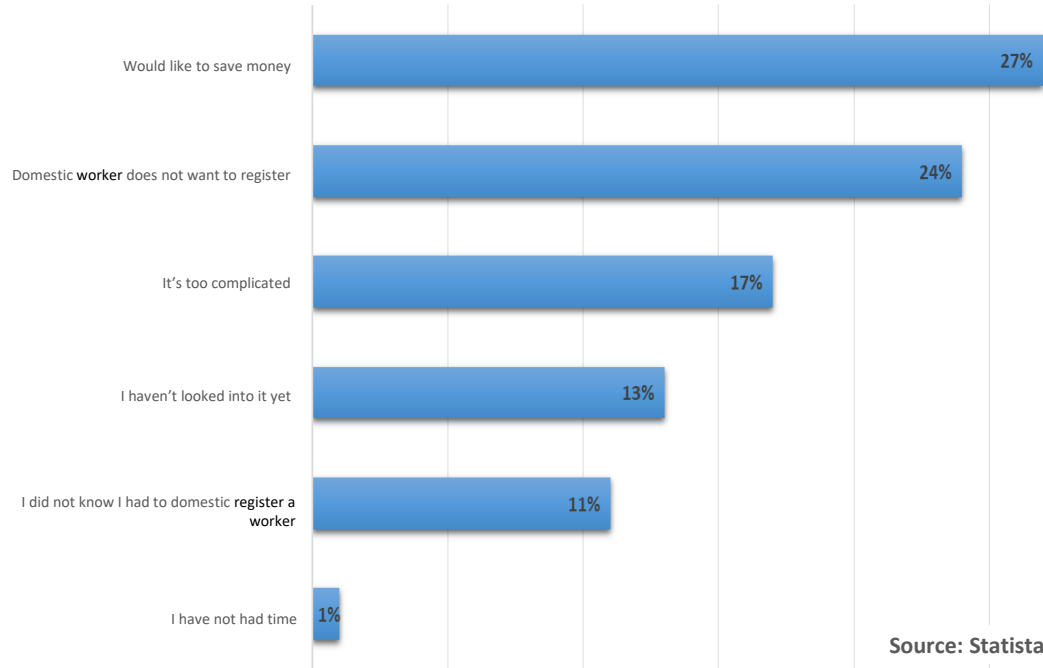
Data source: Dominik Enste (short technical report 42/2019, self-reportir

Employment subject to social security requirements: 49,000
Mini job worker: 300,000
Self-employed: 20,000

} = 369,000

-> 80 – 90% mostly precarious employment, including approximately 300.000 – 600.000 live-in workers

Why have you employed your domestic worker off the books?



Source: Statista 2019

The problem in Germany is not recognition but implementation

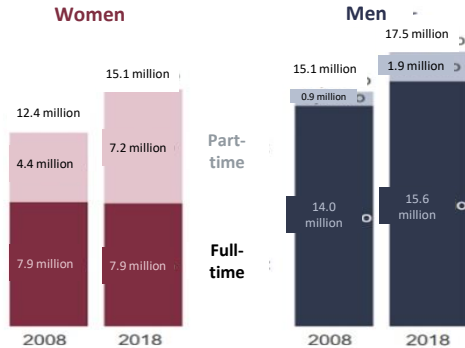
- ILO Convention 189 – Convention on decent working conditions for domestic workers - ratified by Germany in 2013
- Coalition agreement of the political parties forming the government (2018): Introduction of a subsidy scheme -> not implemented
- Anchored in the 2020 national equality strategy: Subsidies to support women and families

The expert committee set up by the German Federal Government has already recommended an improved infrastructure for private households:

- Regulation of minimum labour standards
- Development of standards and certification of good household-related services
- Introduction of publicly funded vouchers for domestic household-related services

Women's participation in the labour market

Employees subject to social security contributions,
June 2008 and June 2018



Data source: Statistics from the Federal Employment Agency (Bundesagentur für Arbeit)

Reasons for part-time work, 2018



Data source: Federal Statistical Office (Statistisches Bundesamt); Calculations: Federal Institute for Population Research (Bundesinstitut für Bevölkerungsforschung)
Image licence: CC BY-ND 4.0 (Federal Institute for Population Research 2020)

- Increase of women's participation in the labour market
- But only part-time, including mini jobs

- Almost 50% of part-time work due to personal or family obligations

What does the DGB want?

Recognition and appreciation of **paid domestic work** as part of the labour market and as part of the care system

Legalise and develop an existing illegal, but vast, labour market and make it fit for the future! – Introduction of a subsidy for all households, which would make domestic work affordable
Amount: at least 50 percent of the hourly work rate

To be redeemed at service employment agencies (companies), with the assurance that they stand for good working practices (**sector binding collective agreement and compulsory social security contributions from the first hour of work**) (certification!)
-> **A family household is not an employer!**

Regulation and development of the labour market for household-related services as a future services market

Consultation and implementation with central contact, advice and coordination points

Focus:

- ***Workers who want to increase their working hours, but who are unable to do so due to care demands or housework duties (including people returning to work)***
- ***Workers who have to reduce their working hours if no support is available***
- ***Single parents***
- ***Unemployed/employed individuals who cannot participate in or who cannot fully participate in professional development without support***
- ***Retired senior citizens***

DGB proposal:

Subsidy solution based on the Belgian model

- Despite agreement of almost all parties and organisations, there are no concrete implementation plans to date.
- **Reasons:**
 - Interministerial solution required (labour and welfare, health, family and women and finance ...) -> different political parties are responsible for the different Ministries; no common approach to date
 - Funding from taxes, but returns (refinancing) filling different “pots”
- - No “quick” results on the horizon
- **DGB has calculated funding requirements:**
 - The subsidy scheme is affordable; refinancing is secured
 - More than 1.5 million full-time jobs could be created
 - The system creates transparency in supply and demand and secures good jobs, improves women’s participation in the labour market and helps to prevent old-age poverty
 - Basis: Professionalism and recognition of domestic work as added value
- **Next step:** Interministerial event to honour the 10th anniversary of the ILO Convention 189 (at the planning stage) in preparation for the upcoming legislative period after the Bundestag elections.

Conclusion

- Subsidies are financially affordable
- It would benefit all those involved
- It creates employment in private households, which is based on paying into the compulsory social protection systems
- It takes the pressure off and strengthens the social protection systems
- It is the basis for a fairer labour market
- It is part of the transformation from an industrial to a service-based society
- It allows men and women to reach self-fulfillment
- It creates new development opportunities on the labour market

...Disadvantages??? None!

Thank you very much for your attention!

Renate Kuhn

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Backup

Demand is huge

In Germany there are:

41.4 million households,
11.4 million of which with children
2.6 million of which are single parent households
17.4 million are elderly (+ 65 years)
of which 5.8 million live alone
10.2 million couples
28.8 million households have increased needs

28.8 million households receive
104 vouchers per year (subsidies
for 104 hours)

-> **2,995,200,000 hours**

Corresponds to more than
1.7 million full-time workers

Labour market development with enormous potential

The logo for DGB (Deutscher Gewerkschaftsbund) is located in the top right corner. It consists of the letters 'DGB' in white, bold, sans-serif font, set against a red parallelogram background.

Working days per week	5
* Weeks per year	52
= Working days per year	260
- Public holidays falling on a working day (on average)	10
- Annual leave	30
- Sickness (on average)	5
- Special leave, training, other	3
= Available working days	212
* Working hours per day	8
= Available working hours	1,696
* Productivity	75%
= Productive working hours	1,272

Available labour hours per full-time worker: **1,696 hours.**

2.995 billion hour demand would require 1,766,037 full-time workers.

-> Labour market size

-> In Belgium, in 10 years, more than 145,000 full-time jobs have been created, in Germany it could be more than 10 times as many

It is possible to fund the voucher scheme:

Sample calculations: direct expenses and income: Basis - Belgian model

Assumptions	Calculations	Costs	Returns
4 million households for 2 hours/week Price per voucher: € 12	€ 15 x 104 hours x 4 million households = approx. € 5 billion	€ 6.24 billion	
Additional demand for 200,000 full-time jobs subject to social security contributions - generated social security revenue (approximately € 4,800) and tax revenue (approximately € 2,000 per job subject to social security contributions) (Actual demand is much higher)	200,000 x € 4,800 = € 960 million 200,000 x € 2,000 = € 396 million		€ 1.6 billion
Possible savings from transfer payments SGB II (10% of the employment subject to social security contributions) (Average receipt of benefits per year: € 12,000 + € 1,200 health insurance contributions)	20,000 x € 13,200 = € 264 million		€ 264 million
Income tax and VAT per service hour of € 3.74	4 million households x 104 hours x € 4.90 = € 1.55 billion		€ 2.04 billion
Abolition of tax relief for expenditure of the household for domestic services and for the employment of mini-jobbers	According to the 2017 subsidy report € 480 million domestic services 85 million for mini jobs		€ 565 million

Total: = € 4.5 billion

Other positive effects impacting refinancing

- Increased working time volume of user
 - > Requires use irrespective of income
 - > 10% of the approximately 5 million women working part-time (20 hours/week) with an hourly rate of € 12 = € 1.2 - 2.4 billion in addition to social security contributions (part-time to full-time) (which would offset the deficit) + up to € 990 million in additional tax revenue
- Reduction in sick leave due to physical stress
- Protection of training investment
- Strengthening of purchasing power -> goes directly back into the economic cycle
- Option of joining the labour market
 - for special target groups
 - also opportunities in the process of structural changes
- Prevention of old-age poverty - reduction in pension subsidies (basic insurance and basic pension ...)
- Reduction in welfare subsidies