



IMPact

PHS POLICIES – IMPLEMENTATION AND MONITORING GUIDE



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FOREWORD

by Commissioner Marianne Thyssen



Personal and household services cover a broad range of activities that contribute to the wellbeing of families and individuals. Their importance is accentuated in the light of population ageing and the need to increase female participation in the labour market. Personal and household services facilitate the independent living of elderly or dependent persons. But they also are an important avenue to employment and job creation and a means to achieving a better work life balance.

This is why, over the years, the European Commission has stressed the importance and has supported Member States to develop a comprehensive policy framework to support personal and household services.

This report provides a valuable contribution to the public debate by presenting an analytical framework exploring the cost- effectiveness of public support for this sector. A key point is that after taking into account the direct and indirect revenues, well designed policies can have a net cost close to zero. Hence, the essence of this report is to allow Member States to analyse the effectiveness and efficiency of their policies – and also the absence of such policies – in support of this sector.

However, beyond cost-effectiveness, more attention needs to be paid in ensuring decent and good quality employment in the sector, and in promoting the quality of services and the potential for productivity gains in these services. Indeed, much more needs to be done at national level to get the high percentage of undeclared workers in the sector into formal work. The role of the authorities in ensuring access for disadvantaged users should also be addressed. I am pleased that further work is being done on these issues.

I am convinced that sharing good practice, analysis and experience is essential to properly address these issues and to be able to harness the potential of this sector, both in terms of job creation and in response to future needs that population change will bring. To this end, the development of strong partnerships between public administrations, civil society organizations, academia and other stakeholders is instrumental, as well as their active involvement in this debate.

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Contents

Executive summary	5
Part 1 Introduction	7
1.1 Aim of the project	7
1.2 What are PHS?	8
1.3 Increased societal demand for PHS raises many challenges	9
1.4 PHS should therefore be a political priority from an economic and societal point of view	10
1.5 Aim and structure of the guide	13
Part 2 In what framework do PHS take place?	16
2.1 Introduction	16
2.2 The important features of PHS	17
2.3 A sector with extensive growth and job creation potential	21
2.4 Hindered development when supporting policies are not implemented	22
2.5 Identifying the rationale for public intervention on the PHS market	23
Part 3 What are the possible PHS policy objectives?	26
3.1 Introduction	26
3.2 A context to determine and/or justify the chosen objectives	26
3.3 The list of main objectives	27
3.4 A tool to identify the needs and possible objectives of the policy	33
Part 4 What different types of PHS policy measures are there?	37
4.1 Introduction	37
4.2 The different types of intervention and the related measures	37
4.3 The tools for price reduction mechanisms	45
4.4 A tool to identify the types of measures to be implemented	46
4.5 Funding a PHS measure	50
Part 5 How can PHS policies be monitored?	52
5.1 Introduction	52
5.2 A tool to evaluate the effectiveness of the measure	52
5.3. Estimating the net cost of the measure	57
Part 6 Policy pointers	61
6.1 Introduction	61
6.2 Policy Pointers step by step	61
<i>Annex 1 - Glossary</i>	65
<i>Annex 2 - Bibliography</i>	67

Executive summary

THE PROJECT

The EU project *Improving Measurement of Public Support to Personal and Household Services* (IMPact) was launched in 2014 with the ambitious goal of creating a common and comprehensive EU Guide to help Member States to improve assessment and monitoring of the macro-economic effects of their PHS-supporting measures. As such, the project addressed the following issues on an ex-ante and ex-post basis: job creation, transfer from the shadow economy to the formal economy, net job creation, sustainability/optimal level of public investment and return on investments, which were highlighted in 2012 by the European Commission as the main pitfalls of any monitoring of policies that target PHS sectors. The long-term objective of the project is to help public authorities to shape the policies that best fit their needs and objectives.

The project was co-funded through the PROGRESS Programme of the European Union and implemented by eight project partners: European Federation for Services to Individuals (EFSI – acting as project coordinator), Censis, IDEA Consult, Oxford Research, Research Institute for Labour and Social Affairs (RILSA), Panteia B.V., Pour la Solidarité and Unión de Profesionales y Trabajadores Autónomos (UPTA). For more information on the members of the consortium please consult the website: www.impact-phs.eu.

THE POLICY CONTEXT

The past few decades have witnessed a development of personal and household services (PHS) and a growing interest in those activities among policy makers. PHS are defined as 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.*” (European Commission, 2012).

Although there are 7.3 million PHS workers in the European Union, the current societal evolutions such as changes in family structures, population ageing and a decrease in family carers mean that PHS are increasingly essential. PHS improve the quality of life of elderly and dependent people and enable workers (mainly women) to balance their professional and personal lives.

However, when they want access to personal and household services, EU citizens face many barriers that restrict the options available and have serious disadvantages. The lack of a structured and suitable quality supply constrains EU citizens’ choices in their private life, particularly with regard to care services. They can rely on private supply, but it is quite expensive and not affordable for most of them when no public incentives are in place. That is why, currently, the most popular alternative to the use of professional PHS remains the undeclared economy.

The prevalence of the undeclared economy in the delivery of such services leads to economic loss for the public budget, precarious working conditions (unsecured incomes, no access to social security or pensions rights, and so on) and a lack of recognition of the value and the qualifications required to perform PHS activities. In this context, a large majority of EU citizens only have access to poor quality PHS.

Therefore PHS should be a political priority from an economic and societal point of view. Many opportunities exist that could create a positive environment for their successful deployment, for example, high demand. Provision of PHS has many positive externalities for society as a whole, such as a reduction in undeclared work and unemployment, the strengthening of social cohesion (for both users and workers), progress towards a reconciliation between people’s professional and private lives and help with reintegration into the labour market.

DEVELOPMENT AND CONTENT OF THE GUIDE

The theoretical and evidence-based research conducted by the project’s partners led to the development of this Guide on the implementation and monitoring of PHS policies. First of all, an analysis based on the methodologies and results of existing national and European studies was used to identify and define the evaluation and monitoring criteria and indicators for assessing PHS-supporting policies. These criteria and indicators were gathered in a set of evaluation and their relevance and availability were tested in three countries (Belgium, France and Sweden).

The results of this testing phase were used to establish a hands-on Guide that will allow the 28 EU Member States to conduct an ex-ante or an ex-post evaluation of the employment and budgetary impact that their measures to promote the formal provision of PHS will have.

Throughout the project, the Consortium has benefitted from the experience and expertise of an Advisory Board of national experts and officials who are working on PHS policies from eight European countries (the Czech Republic, Finland, France, Italy, the Netherlands, Spain, Sweden and the United Kingdom). Its members have been providing direct input on the exact needs and expectations and on the problems encountered by the ultimate beneficiaries of the project: public authorities, national decision-makers and civil society representatives.

The Guide therefore provides theoretical insights, policy descriptions and analytical tools for the implementation of PHS measures. It is available in two formats: hard copy and web-based. Whereas the hard-copy format provides a comprehensive overview of all information gathered and analytical tools produced, the web-based version of the Guide enables visitors to select their profile (i.e. whether they wish to assess an existing policy or design a new policy) and to access information directly.

The information is presented through general questions: in what framework do PHS take place? What are the possible objectives of PHS policy? What are the different types of PHS policy measures? How can PHS policies be monitored? These questions tackle issues and challenges faced by a public authority or any other stakeholder looking to gain a deeper understanding of the whys and wherefores of any PHS-supporting policy.

POLICY POINTERS

Finally, the Guide provides a comprehensive overview of the key components of a PHS policy at all stages of development. It thus provides some policy pointers for a public authority to consider when that authority intends to implement or redesign a PHS-supporting policy. Those pointers are summarized below in seven different key steps:

- ▶ **Step 1: the framework to implement the policy.** All stakeholders should be involved in the design of the policy and public authorities should favour long-term, general and, ideally, permanent structures.
- ▶ **Step 2: understanding the context and specifying the objectives of the policy.** An analysis of key indicators should be conducted in order to come up with a clear needs diagnosis, and official policy objectives should be selected on the basis of that diagnosis.
- ▶ **Step 3: setting the scope of the policy.** The public authority should specify target user and worker groups, as well as the scope of the services in view of the context and objectives.
- ▶ **Step 4: designing the policy.** To ensure that the implemented policy is able to foster both demand and supply sides and to match those sides, a mix of measures should be considered. Public authorities should make sure that prices on the formal market compete with those on the undeclared market, that equity of access is guaranteed and that their policy is sustainable in the long-term. Finally, the professionalization and attractiveness of PHS jobs should be promoted by improving working and employment conditions. In this regard, triangulation of the system must be considered.
- ▶ **Step 5: financing the policy.** Public authorities should design the policy instruments according to the budget available and in this regard, all forms of funding should be considered in the interests of alleviating budget expenditure.
- ▶ **Step 6: Promoting the policy.** Public authorities should communicate and raise awareness on the implemented measure and fight social acceptance of undeclared economy.
- ▶ **Step 7: Monitoring the policy.** A system to assess and monitor the (cost) effectiveness of the measure should be put in place immediately. It should take into account all earn-back effects generated by the policy.

Part 1 : Introduction

1.1 Aim of the project

The European Commission identified personal and household services (PHS) as a **strategic economic sector** in 1993. It defines them as 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.*” Furthermore, the European Commission identified personal and household services as contributing to “*increase competitiveness and provide important sources of growth and jobs, as well as addressing economic and social needs*” (European Commission, 2012).

Indeed, despite an **increasing demand** linked to demographic and socio-economic challenges, the development of personal and household services faces numerous obstacles both on the demand (e.g. the high cost of those services or cultural barriers preventing the outsourcing of domestic work) and the supply side (e.g. the lack of a structured supply of services and of quality guarantee schemes and labour shortage). Thus, as traditional market rules are not enough to ensure the formal development of PHS, the sector is “*either left to the undeclared employment market, or publicly funded, which is expensive*” (European Commission, 1993).

Over the years, several European countries have **adopted measures** that support the formal provision of those services. Given the current economic and financial crisis, their cost is criticized and some of them have recently been questioned and modified despite their positive societal effects. The budgetary cost of PHS-supporting measures appears to be the largest obstacle to the continuation of those policies and the adoption of new measures. However, most of the time, neither the expenditure supporting PHS nor the positive earn-back effects of those measures are sufficiently known by public authorities. Their vision is limited to an assessment of the total cost, while account is not taken of the direct (decrease of allowances, new revenue from tax on income and social contribution, etc.) and indirect (new revenue from companies income tax, employment creation through support staff hiring, new consumption, etc.) earn-back effects and many positive social externalities (e.g. better social inclusion, increased work-life balance, etc.).

In its 2012 staff working document on personal and household services, the European Commission not only stressed the need for joint reflection on the challenges of implementing PHS policies, but also underlined the need for cost-benefit assessment. Indeed, many distinct potential PHS-supporting measures exist, and they can meet different public policy objectives. Most of the time they are not grouped together in a single and coherent framework, and they are often implemented separately year after year, which makes it even more difficult for the State to have a broad and comprehensive overview. This causes several difficulties when it comes to assessing the earn-back effects of supporting measures, which makes data collection more complicated, especially as the public authority investing in personal and household services and the authority receiving the benefits are usually different.

That is why the IMPact project was started with the objective of creating a **common and comprehensive EU guide** that would help Member States to design PHS measures and improve assessment and monitoring of its the macro-economic effects. The longer-term objective is to help them to shape the policies that best fit their needs and objectives. Launched in October 2014, the project led by the European Federation for Services to Individuals (EFSI, an *EU-wide organisation*) lasted 18 months and brought together the following partners:

- ▶ Censis (*Italy*)
- ▶ IDEA Consult (*Belgium*)
- ▶ Oxford Research (*Sweden*)
- ▶ Research Institute for Labour and Social Affairs (RILSA, *Czech Republic*)
- ▶ Panteia B.V. (*The Netherlands*)
- ▶ Pour la Solidarité (*EU-based organisation*)
- ▶ Unión de Profesionales y Trabajadores Autónomos (UPTA, *Spain*)

1.2 What are PHS?

In a 2012 staff working document, the European Commission described personal and household services (PHS) as covering a broad range of activities that contribute to well-being in the 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.).

This definition embraces **both care activities and non-care activities**. In another document, the European Commission (2011) defined “personal services” as: “*regrouping all services which contribute to the greater well-being at home of the citizen: care services (childcare, home help, care of elderly people, etc.), cleaning, remedial class, home repairs (electricity, gardening, etc.) and maintenance (administrative and technology assistance)*”.

In its 2001 report on “employment in household services”, the European Foundation for the improvement of living and working conditions (Eurofound) 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*” (Cancedda, 2001). The 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.

In this project, we decided to use the Commission’s 2012 definition of PHS and to consider both household support and care-related services. We have followed the idea that care-related services are provided to (dependent) persons with special needs (long-term care for older people, care services for disabled persons, childcare services), whereas household support services are provided to improve the well-being of their recipients. The following types of services are covered in the guide:

- ▶ Cleaning (*household support*)
- ▶ Cooking (*household support*)
- ▶ Ironing (*household support*)
- ▶ Home repairs (*household support*)
- ▶ Gardening (*household support*)
- ▶ Maintenance (*household support*)
- ▶ Remedial classes (*household support*)
- ▶ Care for the elderly (*care-related services*)
- ▶ Care for persons with disabilities (*care-related services*)
- ▶ Childcare (*care-related services*)

It is important to note that the same service (e.g. home cleaning) can be considered part of the overall care provided to a dependent person, or it can be delivered to non-dependent people with other socio-economical perspectives, such as: easing women integration into the labour market, contributing to a better conciliation of work and social life, lowering mental health issues and psychosocial risks, and so on. (Orseu, 2013). The state of the recipient of a personal service is therefore important and may contribute to defining the nature of the service. Hence it is difficult to distinguish between care and non-care activities.

Even if care-related services and household support activities have different aims and effects and are usually organised differently in some countries¹, both types of services can be supported by the same kind of measures. Moreover, despite the social aim of care-related services, these kinds of services also represent an important pool of new jobs and create important earn-back effects for governments.

¹Care-related services are considered social policies and are intended to develop care for dependent persons, childcare, and so on. In many countries, these services are assessed by public bodies. Household support is, on the contrary, considered a part of employment policies and is intended to create new jobs, motivate the unemployed and combat undeclared jobs, work-life balance policies, and so on.

However, it is important to distinguish between the two types of services, as they could cause different effects. It is also important to keep in mind that both services might also create different types of jobs. For example, some jobs in care-related services require qualified workers and very specific competencies.

1.3 Increased societal demand for PHS raises many challenges

At present there are **7.3 million PHS workers** throughout the European Union and, with more than 155 000 new jobs created between 2011 and 2013 in Europe, PHS is the second-fastest growing employment sector behind ICT (European Commission, 2015).

As a matter of fact, the current societal changes make personal and household services more and more essential. **Changes in family structures** (e.g. increases in the female employment rate, increased numbers of single parent families, etc.) result in greater difficulties for families with regard to coping with everyday life tasks. On average, EU citizens spend 23 hours per week caring for children and 8 hours caring for elderly or disabled people, as along with 11 extra hours on cooking and housework, according to Eurofound. The impact of household tasks on work-life balance cannot be ignored, especially given that 53% of EU workers declared in 2011 that they came home too tired to do household jobs that need to be done several times a month.

Furthermore, the unprecedented and general ageing of our societies increases demand for home help and care services. Between 2010 and 2030, the number of Europeans aged 65-79 years old will rise by 36 % and those aged 80 years or above will increase by 57 % (European Commission, 2011a). Currently, ageing people's wish to remain at home longer is partially met by informal help and care coming from family carers and undeclared workers. As such, across Europe about 80 % of care provision hours are delivered by informal carers, predominantly women aged 45 or more (Eurofound, 2015). Some of them provide care to their relative out of choice, but others do not and are obliged to reduce their working hours or, in some cases, to withdraw from the labour market to meet their relatives' needs. In the long term, this situation is not sustainable, nor is it economically or socially acceptable.

In addition, the number of family carers is expected to decrease by 2050 in parallel with the shrinking of the working age population (Colombo, 2015). Therefore, developing personal and household services is key to allowing older people to stay longer in their homes and also to enabling family carers to access a range of affordable domestic help services that would allow them to combine their care obligations with work and family.

Thus PHS increase the quality of life of elderly and dependent people and enable workers (mainly women) to balance their professional and personal life. They can be used on a regular basis or only in exceptional circumstances. However, EU citizens face many barriers when they want to access one or more personal and household services which restrict the options available and result in serious disadvantages.

- ▶ PHS lack a structured and suitable quality supply, which in turn **constrains EU citizens' choices** in their private life, particularly with regard to care services. Thus, fertility behaviour may be limited: couples may decide not to have or to have less children. Family carers may also choose not to move to remain in the same city as their dependant relatives... These private decisions may have some repercussions on society as a whole. They affect the local demography, further reinforce the demographic ageing trend and lead to economic problems. Another possibility for carers is to **stop working or work part-time**. Most of the time, a decision of that type is embraced by women rather than men, which has highly negative consequences on gender equality and social inclusion. It is worth noting that after every child, mothers work 12% less, and almost half of the inactive women in the EU are inactive for family reasons (European Parliament, 2013). Similarly, 7 % of women report that they care for an elderly or disabled relative every day, in comparison to only 4% of men (Eurofound, 2012).
- ▶ EU citizens can rely on private supply (i.e., private nurseries, residential homes, housework services, etc.) but it is quite **expensive and not affordable for most of them**. Therefore, EU citizens may decide not to access PHS or they may choose to work more, later, or – in the case of couples – at different times so that they can rely on a private offer to take care of their dependant relatives. In return, they sacrifice their well-being and free time to ensure that they have the economic capacity to access such quality services. However, this solution is sparsely used in low-revenues families as it generates other needs for the carers who spend less time at home: domestic services are also increasingly necessary to enable the worker to cope with his or her personal and care responsibilities. What is more, it puts extra pressure on lone workers (single parents for instance, or a single child taking care of his or her elderly relative) who shoulder the whole burden of caring for the dependent people. Few options exist in such cases, and the options that do exist have highly negative consequences for the worker with regard to his or her career and finances.

That is why the most popular alternative to the use of professional PHS is recourse to the **undeclared economy**. From the latest Eurobarometer survey (European Commission, 2013), we can conclude that approximately 7 million Europeans purchase home cleaning services on the undeclared market, 2.3 million buy home babysitting services and another 1.4 million purchase assistance services for a dependent or elderly relative. In 2010 the share of undeclared work in the market of personal services amounted to 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 (DGCIS, 2011). These projections may underestimate the real situation.

The prevalence of the undeclared economy in the sector is extremely damaging to the State, to workers and to users. Its persistence can be explained by a strong market tension between the desire for greater professionalism and users' concern that they should get the service at an affordable price, together with the fact that formal supply is insufficient. Its dominance creates problems at different levels:

- ▶ **Economic level:** any State intervention to favour the formal provision of PHS would create additional revenue for public finance. Conversely, a lack of intervention generates a significant economic loss for public finance. Thus, the prevalence of undeclared work is extremely damaging for public finances. This situation can be explained by the fact that the sector is characterised by a high employment content and by the fact that *“without public support, formal employment in PHS is quite costly for the majority of the population and the formal market for PHS is quite limited”* (European Commission, 2012). The cost of the lack of State intervention in this sector is tremendous: a comparison between the cost of an unemployed person and the cost of a full-time equivalent worker in the sector shows that the economic impact of State inertness is higher for public finance than the cost generated by PHS-supporting measures (EFSI, 2013).
- ▶ **Working conditions level:** at the individual level of PHS workers, the fact that their work is not formal leads to precarious working conditions (unsecured income, no access to social security or pensions rights, and so on) and a lack of recognition of its value and the qualifications required. Indeed, personal and household service jobs require a number of technical skills (such as hygiene rules, use of products, taking care of a vulnerable person and elimination of occupational hazards) and interpersonal skills (such as discretion, confidence, autonomy and adaptation to users' needs). What is more, undeclared PHS workers do not benefit from any training to attain those skills. Nor are they aware of occupational health and safety rules and regulations. Therefore their own safety is at risk while they work (manipulating hazardous products, risk of falling, and so on), as is the safety of any dependent people for whom they may care.
- ▶ **Qualitative level:** the quality of PHS services relies heavily on workers' working conditions and qualifications. Furthermore, service quality depends on the availability of services, their comprehensiveness with regard to users' needs, the organisation of their delivery and the quality regulation in place. Obviously, in a context in which most PHS are provided on the undeclared market, they are poor quality and users receive no guarantees.

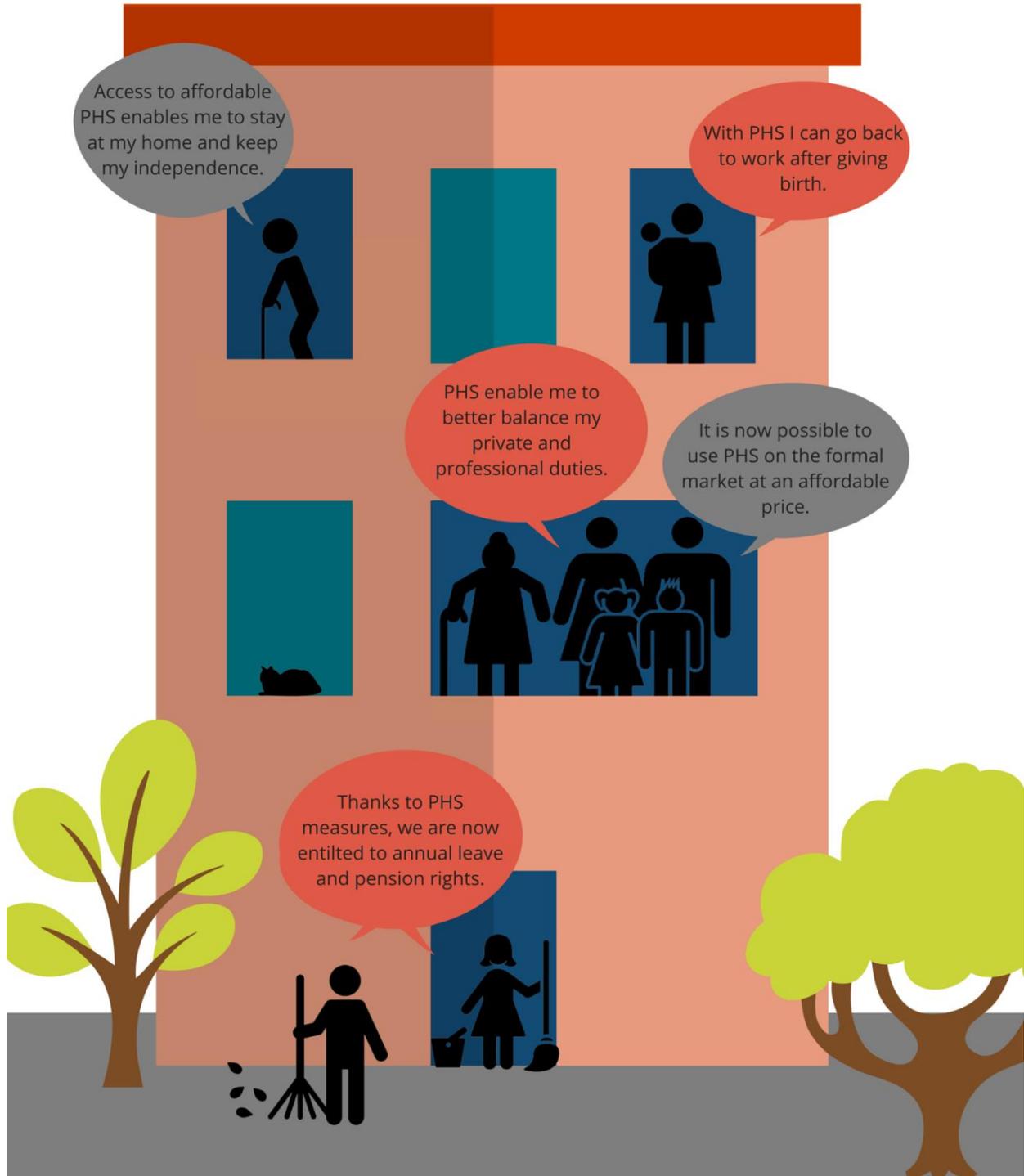
1.4. PHS should therefore be a political priority from an economic and societal point of view

Given all the contextual elements listed above, the PHS background may seem highly unfavourable. However, opportunities exist to create a positive environment for the successful deployment of PHS. As discussed, demand is higher than the formal and affordable supply. The provision of personal and household services has many positive collective externalities for society as a whole, such as the reduction of undeclared work and unemployment, the strengthening of social cohesion (for both users and workers), the progress towards the reconciliation of people's professional and private lives and help with reintegrating into the labour market. For that reason, *“in order to internalize such collective benefits, it makes sense for the state to subsidize substantially the consumption of such service”* (Defourny, 2010). As such, the main positive externalities of public support are:

- ▶ **Fighting the undeclared economy:** the Commission states that *“taking into account the importance of undeclared work in the PHS sectors, public authorities can consider intervening with the aim of encouraging the provision of PHS in the formal economy”*. They should support measures to move these services from the shadow to the formal economy, generate additional tax revenues for the State through job creation and savings in public expenditure (e.g. reduction in unemployment benefits, more tax collection). What is more, it is a way to create job opportunities for the relatively low-skilled, particularly as far as housework services are concerned, which requires only a low level of public investment by encouraging the provision of housework services in the formal economy rather than the shadow economy.

- ▶ **Creating jobs (especially for women):** in recent years, PHS has been the second-fastest growing employment sector in the EU after ICT. In April 2012, the Commission estimated the job creation potential of the PHS sector to be 5.5 million jobs. Developing PHS could thus contribute to achieving the “Europe 2020” employment objectives. Several experiments in EU Member States to support the sector have proved to be efficient. In this regard, 450 000 jobs have been created in France since 2005. In Belgium, the *Titres-services* voucher system created 149 800 new jobs between 2004 and 2012. PHS create non-relocatable jobs for long-term unemployed and low-skilled people as well as for migrant workers. They also contribute to women’s participation to the labour market and to social inclusion by directly providing them with a job (on average, 90 % of PHS workers are women).
- ▶ **Improving working conditions and attractiveness:** formalising PHS is also a way to implement a status through collective agreements, with the same rights and entitlements as other workers under general labour law, including social security nets and rights to unemployment benefits, pensions, maternity leave, legal holidays, and so on. Formalisation is the basis for social recognition of the value of these services and of the workers providing them. Consequently, it is a way to motivate workers, retain them and make the sector more attractive, which in turn has a positive impact on the quality of the services provided.
- ▶ **Improving professionalisation:** personal and household service jobs require a number of technical and interpersonal skills which are currently undervalued in our societies. It is generally stated that PHS jobs mostly concern women and that those jobs do not require any training. Professionalisation in the sector could consist of targeted initial training and continuing training of employees. Continuing training is of particular importance because it helps to fight against workers’ isolation, especially as many of them are working in private homes. Finally, professionalisation encourages the structuring of the sector, ensures that greater value is attached to the work and that workers are recognised, and at the same time the benefit of purchasing these services on the formal market becomes more obvious for users.
- ▶ **Improving the quality of care:** because the sector’s workforce has the right skills, benefits from good working conditions and is subject to quality controls on the service providers run by the managing public authority.
- ▶ **Attracting/Retaining women in the labour market:** with a solid PHS sector, women are less tempted to stop working (or work part-time) while they are responsible for one or more dependant relatives. The possibility of outsourcing personal and household activities becomes a solution those who do not want to take on this responsibility alone, if the services become affordable, especially by introducing public measures that support the sectors. A study revealed that in Sweden for every hour of household services purchased, married women (aged 25-55) gained 1.8 hours, of which 60% is used for paid work (Halldén, 2014). Therefore purchasing PHS increased women’s participation in the labour market.
- ▶ **Increasing wellbeing through a better work-life balance:** better work-life balance can be achieved by increasing externalisation of daily tasks at home and of care for children and the elderly. Accessible and affordable care services are also an important precondition for increasing female participation in the labour market.
- ▶ **Developing equity between men and women:** by directly providing women a job and by giving them access to services that enable them to combine more easily their private and professional lives; PHS favour women’s inclusion in the labour market. They also offer solutions for better allocation between men and women of care and housework tasks.
- ▶ **Increasing companies’ growth and productivity:** by improving employee motivation through better work-life balance, companies can reduce absenteeism and presenteeism. What is more, developing the formal provision of PHS favours the creation of new companies. In this regard, public intervention in Belgium, France and Sweden has had a positive effect on the creation and/or growth of 1 065, 8 300 and 13 500 SMEs respectively.
- ▶ **Strengthening social inclusion and fighting poverty:** especially for migrants, women and the low-skilled working population, who make up the majority of PHS workers. However, support for PHS measures also contributes to the social inclusion of society’s most dependent people. That is particularly true for children, as early childhood education and care is recognised as an efficient tool to break the disadvantage cycle, particularly poverty.
- ▶ **Favouring population growth:** given that PHS lower stress and constraints related to childcare, better access to those services might influence couples’ family planning decisions.

How public support to PHS answers societal demand ...



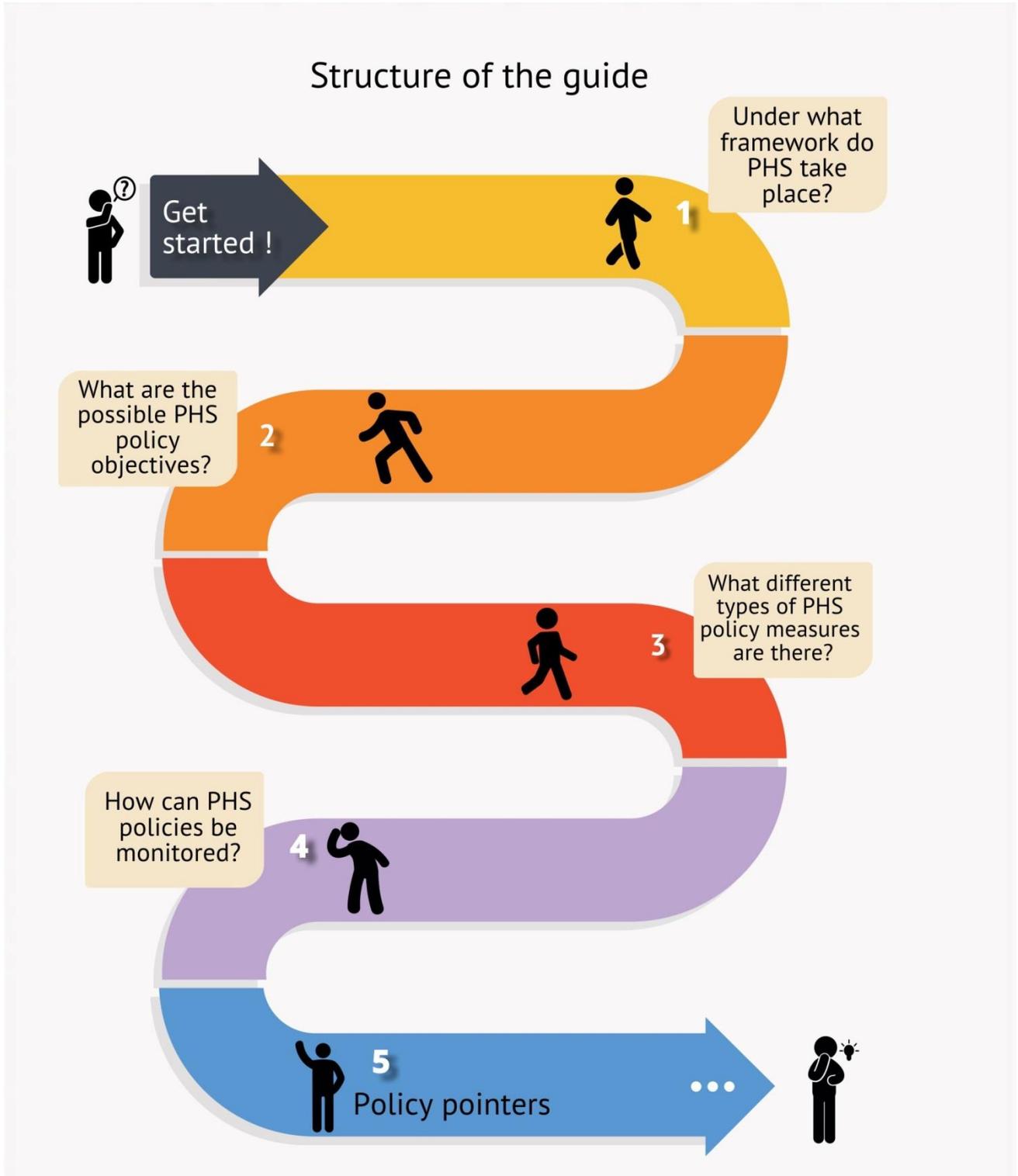
1.5 Aim and structure of the guide

The aim of the guide is to help public authorities to **design PHS measures and monitor their employment and budget effects**, but also to help them with **assessing current policies** and **shaping new ones**. In that respect, this guide might prove to be interesting not only for public authorities but also for other stakeholders (such as NGOs and federations) involved in the process of implementing a PHS policy.

In that regard, the guide provides different types of information that can easily be found: theoretical background, analytical tools, evidence from existing PHS policies and policy pointers. The guide invites readers to reflect on PHS policies through 5 key areas from the ground and the characteristics of these policies with regard to adopting, monitoring and assessing them. Each of these steps represents one section of the document.

- ▶ In what framework do PHS take place?
- ▶ What are the possible PHS policy objectives ?
- ▶ What types of PHS policy measures are there?
- ▶ How can PHS policies be monitored?
- ▶ Policy pointers.

Figure 1 : Structure of the guide



Part 2 analyses the context of PHS or the PHS framework. In the first chapter, the characteristics of the demand side, supply side, services and public authorities in PHS are described. The second chapter presents the recent evolutions in the PHS' demand and supply and explains the increasing need for PHS. Finally, in the third chapter, it is demonstrated that without supporting policies, the PHS sector cannot be developed to its full potential. This chapter provides the rationale for public intervention in the PHS sector.

Having demonstrated the need for PHS-supporting measures, the **aim of part 3** is to focus on the specific objectives that might be pursued by a PHS policy measure, in the specific national context. In this part, we describe the objectives a PHS policy might pursue, on the basis of (theoretical) analysis of the PHS framework and its effects on the society and of analysis of the PHS-supporting measures already implemented in various EU countries. The first chapter presents the key indicators that enable a brief diagnostic of the national/regional context to be drawn. In the second chapter, the main objectives that a policy might pursue are presented. In the final chapter, we provide an analytical tool to identify the needs and possible objectives of the policy.

Part 4 provides a theoretical background on the different types of PHS policy that can be implemented. This part presents the possibilities available to the national authority. For each measure, a comprehensive overview of respective advantages and drawbacks are explained in terms of equity, quality of services and of employment, structuring of the market and budget constraints. In this part analytical tools are also presented with a view to guiding national authorities when they come to select the appropriate measure.

The aim of **part 5** is to guide Member States in their assessment of their PHS measures. We focus first on the monitoring and assessment of the measures with regards to their objectives. In the last chapter we focus on the assessment of measures with regard to budgetary effects.

Finally, as a conclusion, **part 6** presents some key policy pointers to be considered when a public authority intends to implement/ redesign a PHS-supporting policy. These policy pointers are rather generic, as the very detailed and specific features of a system will depend on the local/national context, objectives, and so on, and they cannot be provided without sufficient knowledge of those context and objectives.

Throughout the guide, theoretical information is backed up with evidence from existing PHS policies, and in particular from the 8 Member States (Belgium, Finland, France, Italy, the Netherlands, Spain, Sweden and United Kingdom) which were closely examined during the first phase of the project. More detailed information on these countries is available on the [project website](#).

Part 2: In what framework do PHS take place?

2.1 Introduction

This part is designed to analyse the context of PHS or the PHS framework. In the first chapter, the characteristics of the demand side, supply side, services and public authorities in PHS are described. The second chapter presents the recent evolutions in PHS' demand and supply and explains the increasing need for PHS. Finally, in the third chapter, it is demonstrated that without supporting policies, the PHS sector cannot be developed to its full potential. Finally, the last chapter provides the rationale for public intervention in the PHS sector. The figure below summarises the structure of this part of the document and provides some key findings.

Figure 2 : The rationale behind the use of PHS



2.2 The important features of PHS

2.2.1 The demand side

- *PHS users*

The **demand side is made up of various types of users, who might be, for example, of different ages** (such as young parents who need childcare or the elderly.) and **who might have different statuses** (active, employed or retired people). It is worth noting that targeting of a group of users is often linked to the type of services. Globally, the main possible user groups are:

- ▶ The active population;
- ▶ The elderly;
- ▶ Dependent persons;
- ▶ Parents, especially women willing to re-enter or increase their participation in the labour market.

- *The choice by households to use PHS: the individual decision-making process*

In economic theory, the **individual decision-making process** explains the choice by households to use PHS (theory of household production articulated by Becker; 1965). The theory states that households spend time on paid work, personal care and leisure. The time allocation between these 3 types of activities will depend on the value of each activity. Assessing the value of paid work is relatively straightforward, as wages on the labour market can be observed, but valuing household activities and leisure is more difficult. Several options have been proposed in literature:

- ▶ The first approach to valuing household labour is the **opportunity cost approach**. This theory is based on the assumption that when an individual chooses to undertake unpaid work, such as household activities or leisure, the possibility of spending that time at paid work is precluded. Thus the person foregoes the salary associated with that activity.
- ▶ The second approach is the **replacement cost approach**, which imputes a wage rate for labour services that could be purchased by the household for household work.

In theory, a **household will perform households activities itself if the opportunity or replacement cost of performing those activities is less costly than externalising PHS on the formal or undeclared market**. Regarding the formal market, a household will externalise PHS when its (hourly) net wage is higher than the price of externalizing PHS, which is mostly equivalent to the gross wage of the PHS worker (which is higher than his/her net wage because of tax). Regarding the undeclared market, the comparison will be made on the basis of the workers' net wage, given the absence of taxes. Therefore, the price-setting of PHS is key in determining the quantity of PHS provided both in the undeclared and formal market.

However, this theory can be nuanced by the fact that in practice, a lot of households prefer to perform household activities, especially care activities, themselves. After price, there are also **many other parameters** that enter into the decision-making process of households (Orseu, 2013), such as:

- ▶ Cultural barriers/lack of social acceptance of externalizing PHS in some countries;
- ▶ Difficulties with accepting an unknown person into the home;
- ▶ Difficulties with assuming the role of employer;
- ▶ Difficulties in accessing the services (administrative burdens, location, etc.).

Furthermore, demand for some PH activities are more price-elastic than for others, depending on their degree of necessity (for example, studies showed that cleaning is less price-elastic than ironing).

2.2.2 The supply side

- *The target group of workers*

PHS activities can target different groups of workers. The main types of target groups are:

- ▶ Low-skilled individuals
- ▶ Women
- ▶ Migrants
- ▶ Long-term unemployed individuals

- *Formal versus undeclared provisions*

First, services might be provided **by formal service providers or by undeclared workers**. As discussed further in the next section, the use of undeclared service providers has considerable negative consequences for society (tax losses, for example).

- *Different types of (formal) service providers*

Within the formal market, the type of service providers allowed to provide PHS may also vary. We can distinguish the following types:

- ▶ Public organisations (or those linked to public authorities);
- ▶ Private profit and non-profit organisations;
- ▶ Self-employed individuals;
- ▶ Users directly employing workers.

- *Different types of competition between services providers*

We can also distinguish the following **types of competitive relations** that could exist between services providers:

- ▶ **Open competition:** Standard form of competition where all qualified or responsible parties are eligible to compete. In this case, particular attention should be given to the various supply-side support forms available so that tax and regulatory framework neutrality towards all type of providers is ensured.
- ▶ **Quasi-market:** In ‘quasi’ markets, both supply and demand sides differ fundamentally from conventional markets. Theorists define quasi-markets using certain criteria that distinguish them from conventional markets. The criteria include the facts that:
 - ▷ Quasi-markets are established and maintained by the public sector.
 - ▷ Services produced in quasi-markets usually fulfil the objectives of social profitability and welfare.
 - ▷ The public sector is usually the subscriber, regulator and purchaser of the service.
 - ▷ There may be different kinds of producers in quasi-markets competing with each other (for-profit and non-profit organisations, both public and private sectors)
 - ▷ The user of the services does not normally pay for service at the point of consumption; money flows between the (public sector) purchaser and provider.
- ▶ **Monopolistic situation:** A situation in which a single company or group owns all or nearly all of the market for a given type of product or service. By definition, monopoly is characterized by an absence of competition, which often results in high prices and inferior products.

- *The potential presence of intermediaries and the forms of employment relationship*

Finally, another important feature of the supply side is the **presence (or not) of intermediaries between the users and the workers**. This has important consequences, including on the employment model in PHS. In total, two different employment models for services provision can be distinguished:

- ▶ On one hand, **workers who are directly recruited by private individuals or households** to perform domestic tasks in their home. This direct employment is characterised by a bilateral relationship between the user (who is also the employer) and the worker. In this form of employment relationship, there is less control over the quality of the job done by PHS workers. This form of work is also widely perceived as ‘domestic’ work and could lead to some social disapproval.
- ▶ On the other hand, **workers who are employed by an organisation** (private or public, for profit or not). 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 entities. In this form of work, organisations are the employers of PHS workers. There is more control over the quality of the PHS jobs and services provided. This reduces the administrative burden of users, the problems related to the social disapproval of hiring somebody to perform domestic work and some cultural barriers associated with the outsourcing of domestic work.

2.2.3 The services

- *The types of services*

The following types of services could be included in PHS:

- ▶ Cleaning (*household support*)
- ▶ Cooking (*household support*)
- ▶ Ironing (*household support*)
- ▶ Home repairs (*household support*)
- ▶ Gardening (*household support*)
- ▶ Maintenance (*household support*)
- ▶ Remedial classes (*household support*)
- ▶ Care for elderly (*care-related services*)
- ▶ Care for persons with disabilities (*care-related services*)
- ▶ Childcare (*care-related services*)

- *Main characteristics of the services*

PHS services are not standard products, given that they present **key characteristics** that explain, as developed in the next section, why supporting policies might be needed in the market.

- ▶ PHS have a **low import content** (activities produced locally), which implies low import loss in the event of public intervention. Moreover, PHS jobs are local jobs that cannot be relocated abroad, which means that unemployment can be reduced in the long-term;
- ▶ PHS have a **high employment content**, which implies that they could have an important effect on job creation in the event of public support;
- ▶ Varying **levels of technical skills requirements** (“do it yourself” possible in some areas, higher requirements in the case of care), but generally a need for a decent level of skills and good relational and social skills;
- ▶ **Low productivity** in some of the tasks involved, but the potential for indirect productivity increases if users of PHS are able to focus more on their own job;
- ▶ Owing to their specific nature (services conducted at home, previously “provided” by households themselves and only recently outsourced), the use of some services might be hindered by **cultural barriers**.

These characteristics are important to understand why measures are necessary to support PHS (see later).

Table 7 : Overview of main services provided by PHS measures in 8 country cases

	Household support							Care-related services			Others
	Cleaning	Cooking	Ironing	Home repairs	Gardening	Maintenance	Remedial classes	Care for the elderly	Care for persons with disabilities	Childcare	
Belgium Service voucher system	✓	✓	✓						Only transport for disabled persons		Shopping services
Finland Tax credit for domestic help	✓		✓		✓	✓		✓		✓	Installation and maintenance of support information technology and telecommunication
France CESU	✓	✓	✓	✓	✓		✓	✓	✓	✓	
Italy Aspasia Plus								✓			
Netherlands Services at home	✓	✓	✓		✓	✓		✓	✓	✓	
Spain Dependency law	✓	✓	✓					✓	✓		Personal alert system; Adult day care centres; Residential care services
Sweden RUT & ROT avdrag	✓	✓	✓	✓	✓	✓				Only babysitting	
United-Kingdom Employer-supported childcare voucher										✓	

2.2.4 The public authorities

Public authorities have a crucial role to play in the design of the PHS framework. As will be explained in the next chapters, without the support of public authorities, it is difficult to develop PHS activities.

Therefore public authorities have a determining role to play first in identifying the PHS measures needed and secondly in introducing and financing PHS measures. Alongside this crucial role of supporting and financing PHS measures, the public authority can also play a different role. We can list, among others, the following possible roles, depending on the selected PHS measure:

- ▶ Intermediary, facilitating matching supply and demand (see, for example, “plan Borloo” in France and the development of national agencies for matching demand and supply);
- ▶ Quality controller: the public authority might offer warranties for the quality of services provided by suppliers by, for example, allocating agreements to suppliers under specific conditions;
- ▶ Monitoring of the system (conducting evaluation of the system, etc.).

These roles can be provided by one ministry (for example, of employment, health or treasury), however PHS may also bring about important earn-back effects for other ministries.

2.3 A sector with extensive growth and job creation potential

Several PHS characteristics make them interesting from an **employment policy point of view**: the sector shows extensive job creation potential. At the same time, it appears that this job creation may be sustained by the current increase in **potential demand and supply** for PHS, as described below.

In most European countries, the **potential demand for PHS has strongly increased** as a result of several changes:

- ▶ **Increased female labour market participation** since the 1970s. The increase in female labour market participation has created a need to seek a new balance between work and private life now that the male breadwinner model is no longer the norm in society. Consequently, all kinds of domestic and care tasks which, in the past, were almost exclusively performed by unpaid female labour in the household are now outsourced.
- ▶ **The ageing of the population**. This phenomenon, attributable on the one hand to medical progress and on the other to a drop in birth rates, affects most European countries. It has led, naturally, to an increase in the number of individuals who are partially or totally dependent on care supplied by family members or professional caregivers.
- ▶ Other aspects such as the **evolving composition of households** (single-parent families, share of bi-active households) – which has reduced the number of potential carers within the family circle, – and **higher standards of living** – which has increased the demand for personal services among the middle class – can also be cited as drivers explaining the growing need for PHS.

On the **supply side**, some changes can cause **an increase in the potential pool of workers** available to carry out PHS. However, there are several prerequisites (such as incentives to formalise undeclared work in the formal market and attractive working conditions) that need to be fulfilled for that increase to take place.

- ▶ Firstly, **unemployment rates** are high in the EU28 at the moment. With regard specifically to unemployment according to level of education, it appears that the unemployment rate for low-qualified workers in particular has increased during the last decade: 17.7% in 2014, an increase of 7.2 percentage points in comparison to the 2003 rate.²
- ▶ **Transnational economic inequalities and migration** – especially a strong rise in female migration – are another specific determinant of the increasing pool of potential workers who can carry out PHS.
- ▶ The **weight of manufacturing in the EU economy is decreasing** in favour of services. This also contributes to the increase in the pool of (low qualified) workers willing to perform PHS.

² See <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=fr&pcode=tps00066&plugin=1>.

- ▶ Finally, investors are increasingly aware of the **potential profitability of the sector**, which is primarily achievable through the Silver Economy wave. In light of that development, the sector (or at least some of its subsectors, such as elderly or child care) might attract capital in coming years.

2.4 Hindered development when supporting policies are not implemented

The development of formal PHS activities might have a number of **positive effects on society**. What is more, **potential demand for PHS and the potential PHS workforce** is high and increasing.

However, **several obstacles** hinder the development of the PHS activities and imply that, without supporting policies, the formal PHS activities would not be developed adequately or successfully. More specifically, in the absence of supporting policies, the quantity of **formal PHS would be too low and its cost would be too high**.

The main reasons why supporting policies are necessary are as follows:

- ▶ The unfair competition of undeclared labour;
- ▶ Household demand is below its potential;
- ▶ Positive externalities are not taken into account – household demand is below social demand;
- ▶ Various supply-side obstacles.

- *The unfair competition of undeclared labour*

Without supporting policies, many PHS activities would be carried out within the undeclared market. This is mostly the result of the **lower price of undeclared labour** in comparison to the price of declared services (without supporting policies), but also because of social norms in some countries (the social acceptance of undeclared labour). Indeed, the sector is characterized by a **high employment content** (the price paid for the services is made up almost entirely of workers' wages), which implies that formal provision of PHS is, in relative terms, much more costly (when taking into account taxes, and so on) than the undeclared provision.

The provision of PHS in the undeclared market instead of the formal market has **several obvious negative implications** for all sides of the market. The existence of an undeclared labour market means, on the one hand, an absence of social security rights for the workers in question and, on the other, economic losses for public finances. For public authorities, undeclared work represents a loss in social contributions and tax payments, and for undeclared workers it often means disadvantageous working conditions and an absence of social security and rights.

- *Household demand is below its potential*

As indicated in the previous section, several trends tend to increase the need for PHS. However, there are **several obstacles** that explain why households do not externalise more to formal service providers:

- ▶ Without supporting policies, **the price** in the formal market might be too high for consumers, especially given that households do not take into account the positive externalities (see next point) related to their use of PHS.
- ▶ In some countries, **cultural barriers** exist that prevent, , the outsourcing of domestic work. For example, there may be a lack of social acceptance with regard to externalising PHS, or difficulties with accepting an unknown person into the home.
- ▶ An additional difficulty could be the **accessibility of these services**. Indeed, some countries may have few services providers and/or the services providers may not be spread equally across the territory, which could mean that some households have difficulty accessing services.
- ▶ Another difficulty is the issue of unobserved quality, **quality uncertainty** and a lack of quality guarantee. Indeed, when no formal scheme guarantees a given level of quality and reliability of the services provided, this might stop the household from making use of the services.
- ▶ Finally, a last limitation is the difficulty in **assuming the role of employer**. Indeed, as stated by Gregson and Lowe (1994), employing a cleaner is not an “*assumed, automatic or accepted social practice*” (Orseu, 2013).

- *Positive externalities not taken into account – household demand is below social demand*

When a household takes a decision to externalise PHS, it will not take into account the positive externalities these services create for third parties, rather, it will only compare its own costs with its own benefits. In this context, the **socially optimum quantity**, which is defined as the demand that would be optimal, taking into account all positive externalities of PHS, is higher than the household optimal quantity.

Below, we list some of the **positive externalities (or earn-back effects)** for the economy that arise when someone externalises PHS but are not taken into account by households when considering whether to outsource PHS (for a complete list of all earn-back effects, see Part 5):

- ▶ Externalising PHS in the formal economy will be positive for both the worker (revenues, and so on) and society as a whole (decrease in unemployment, increase in tax revenues from the company that hires the worker, and so on).
 - ▶ When externalising PHS, a user can increase working time or return to the labour market. For society as a whole, that could result in an increase in tax revenues, an increase in productivity for the user's employer, and so on.
 - ▶ The user's health improvements that result from PHS (care) might decrease public costs for medical expenses.
 - ▶ Early childhood education and care promote educational attainment, social development of children from disadvantaged backgrounds and social inclusion. In the long term, this is also positive for society as a whole (less poverty, higher productivity, etc.).
- *Supply-side obstacles*

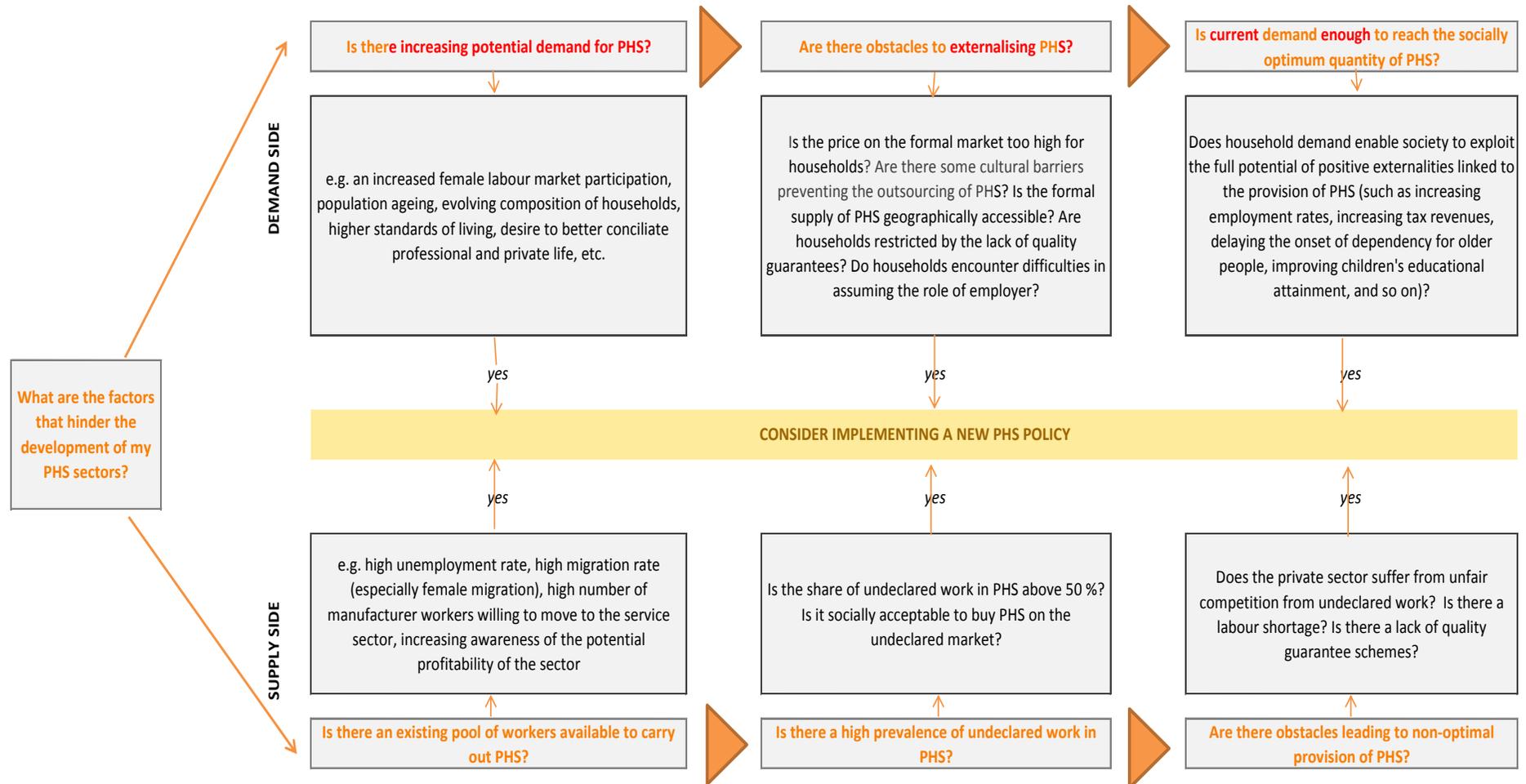
In addition to the above demand-side obstacles, there are also obstacles on the supply side that imply that a private market without supporting policies would lead to non-optimal provision of services. In particular, we can list the following **failures** that would arise without supporting policies:

- ▶ **Unfair competition from undeclared labour** would lead to less profitability for the private sector and underinvestment by the private sector (with less innovation, for instance, as a result);
- ▶ Possible **labour shortages** with regard to required skills. Specifically, some services within PHS (such as care) require specific skills. Given the growing demand for those services, possible labour shortages may arise;
- ▶ Lack of **quality guarantee schemes** (it must be noted, however, that the private market can propose a guarantee of that type, if it is in its interest, without implementing supporting policies).

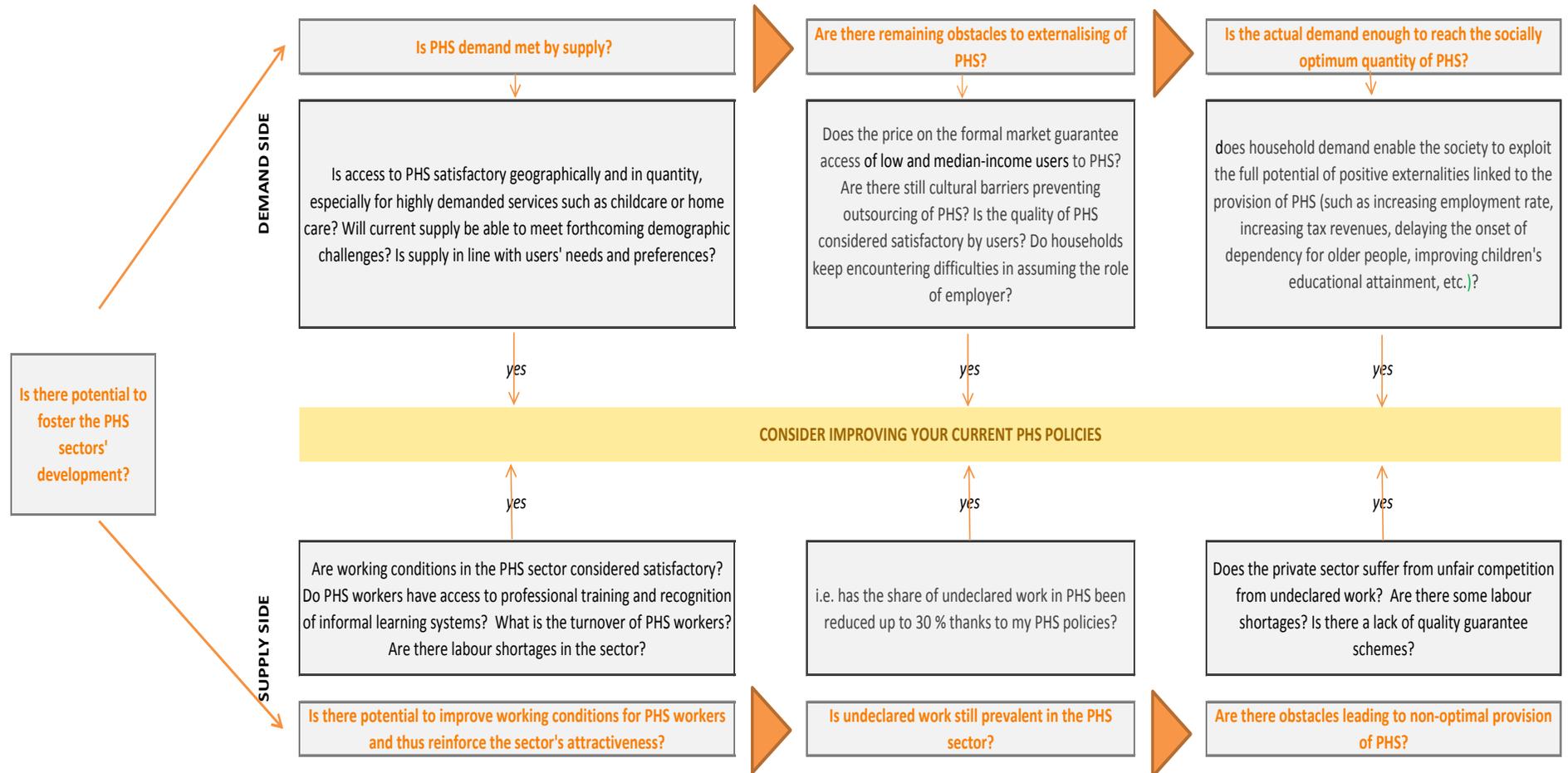
2.5 Identifying the rationale for a public intervention on PHS activities

Following the theoretical information provided earlier, two graphs – which list a series of questions to be raised – have been produced in the interest of helping national/local public authorities to have an overview of the reasons why their PHS market might not be optimal and may require public intervention or additional public intervention to foster PHS activities. The first graph is for public authorities that want to design a new PHS policy, and the second graph is for public authorities who are looking to assess an existing PHS policy.

Graph 1 : Identifying the rationale for public intervention in PHS activities in countries looking to design a new policy.



Graph 2 : Identifying the rationale for public intervention in PHS activities in countries looking to assess an existing PHS policy



Part 3: What are the possible PHS policy objectives ?

3.1 Introduction

By ensuring the full development of PHS, supporting policies could produce several positive effects on society as a whole. According to the national/local context, at least one objective should be selected as the official objective of the PHS measure. In this section, we describe the objectives that a PHS policy might pursue, using (theoretical) analysis of the PHS framework and its effects on society, together with the analysis of the PHS-supporting measures already implemented in Member States. This chapter is structured as follows:

- ▶ The first chapter presents the **key indicators** that enable a brief diagnostic of the national/local context to be drawn;
- ▶ In the second chapter, **the main objectives** that a policy might pursue are presented;
- ▶ In the final chapter, we provide an analytical tool to **identify the needs and possible objectives of the policy**.

3.2 Context to determine and/or justify the chosen objectives

The official objectives of the policy will be chosen according to and motivated by the specific local/national context. More specifically, the employment and social situation in a given region or country will help to determine and justify the selected objectives. Below, we present some key indicators that will provide crucial information on the context of the country/region.

- ▶ The existence of an undeclared market (see [Eurobarometer](#) data):
 - ▷ The share of undeclared work;
 - ▷ The price of undeclared PHS;
- ▶ The unemployment situation (see [Eurostat](#) data):
 - ▷ The unemployment rate (by level of qualification);
- ▶ The work-life balance and needs for PHS in the population according to its structure (see [Eurostat](#) data):
 - ▷ The female activity rate;
 - ▷ The fertility rate;
 - ▷ The share of personal and household work conducted by women (versus men) at home;
 - ▷ The dependency ratio;
 - ▷ The percentage of single-parent families;
 - ▷ The share of bi-active households;
- ▶ The characteristics of the current formal market:
 - ▷ The share of formal PHS before the introduction of the measure;
 - ▷ The cost of formal childcare and elderly care ([EU-SILC data](#))

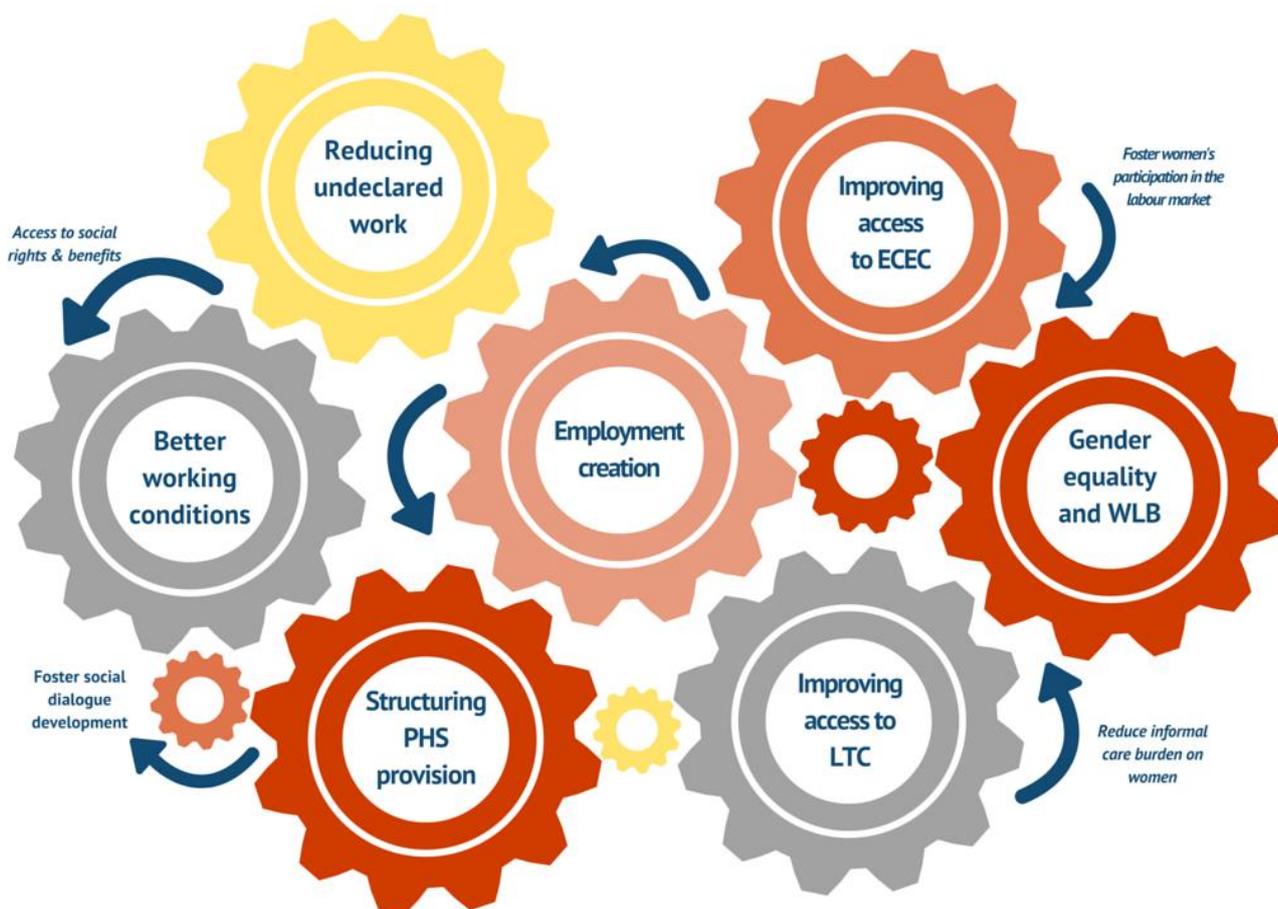
3.3 The list of main objectives

The main objectives of PHS-supporting policies can be classified into four key areas:

- ▶ Employment;
- ▶ Social inclusion – social policy;
- ▶ Gender equality and work-life balance;
- ▶ Working conditions.

The figure below illustrates how the objectives are interlinked and can positively affect one another.

Figure 3 : Overview of PHS policy objectives



3.3.1 Employment-related objectives

▶ Objective 1: Employment creation

PHS measures have an important effect on employment, owing to the creation of **direct employment** with jobs for performing PHS activities **and indirect employment** with jobs for guiding PHS workers, but it is also because PHS users **return to the job market** or increase their working hours. This results in a strong decrease in long-term

unemployment and an increase in employment of specific targets groups such as low-qualified people and women. Those effects are particularly in line with the Europe 2020 strategy. Evidence and Eurostat figures show that in 2014, 7.3 million workers were providing personal and households services (based on NACE codes 88 and 97) in the EU28 (European Commission, 2015). These data need to be considered with caution, as personal and households services may encompass activities that are classified in different NACE sectors. Regarding employment creation, it appears that, according to the 2014 Eurofound European Jobs Monitor Edition, between 2011 and 2013, PHS sectors have employed a further 81 192 personal care workers and 74 518 personal service workers. As a consequence, the PHS sector is the second-fastest growing employment sector behind ICT, and its rise is not expected to decrease. Indeed, the Commission (2012) indicates that PHS sector job creation potential is estimated at 5.5 million new jobs in the coming years.

 In **Belgium**, one of the most important goals of the service vouchers system launched in 2004 was to create jobs. Thus, in 2013, there were 160 793 workers in the system, which represents 4.2 % of all jobs in Belgium (IDEA Consult, 2013). The same applies for the RUT tax deduction implemented in **Sweden** which – according to some estimates – has led to the creation of approximately 15 000 jobs between 2007 and 2011 (Konjunkturinstitutet, 2011).

► Objective 2: Reducing undeclared work

One of the main characteristics of the PHS sector is that a **large part of its services are provided informally by undeclared workers**. This is mostly the result of the sector's high employment content (i.e. the price paid for the services is made up almost entirely of workers' wages), which means that the formal provision of PHS is relatively much more costly (when taking into account taxes, and so on) than undeclared provision. For public authorities, undeclared work represents a loss in social contributions and tax payments, which for undeclared workers often means disadvantageous working conditions and a lack of social security.

Evidence shows that, in comparison to other sectors, the PHS are particularly exposed to undeclared work. The results of the special Eurobarometer (n° 402, published 2014) on "Undeclared work in the European Union" indicate that 11 % of the EU27 population admitted that they had bought goods or services connected with undeclared work. Among them, 15 % of buyers said they had bought household services (such as gardening, house cleaning, child and elderly care) and 7 % had bought personal services (such as hairdressing or private teaching). Based on the figures from the previous Eurobarometer on undeclared work (2007) and taking into account that undeclared workers do not work typically full-time, it was estimated that the potential number of undeclared workers in household services amounted to around 1 million³. As indicated by the Commission (2012), this appears to be a rather conservative estimate, given the likelihood of under-reporting in surveys on undeclared work. The DGCIS result (2011) show that, in countries where no PHS supporting policies are implemented, undeclared services represent around 70 % of all transactions, in comparison to 30 % in countries where supporting measures are implemented.

 In **France**, undeclared labour in the domestic sector has gone down from 40 % in 2005 to 30 % in 2011 thanks to various fiscal and administrative incentives (Wyman O., 2013). In **Finland**, the share of undeclared work decreased from 60 % to around 25 % in household services as a result of the introduction of the tax credit for domestic help.

► Objective 3: Fostering and developing PHS activities

The increase in employment in the formal PHS provisions may indicate an increase in the number of companies and/or number of PHS transactions. Some PHS providers might already exist before PHS measures have been adopted, but the measures will enable them to extend their activities and will also foster the entrance of new companies on the market. The creation of new companies has direct implications on the **creation of indirect employment** (administrative workers, and so on) and on tax revenues for the state. The development of a formal sector might also ease the **professionalisation**

³See European Commission (2012), Commission staff working document on exploiting the employment potential of the personal and household services, SWD (2012) 95 final.

of the services (training courses, and so on) and help to improve the **working and employment conditions of workers** (that were previously offering undeclared PHS), as discussed below.

 For example, in **France**, stimulation of the sector (increase in the number of companies and/or in the size of companies, professionalisation of the companies, and so on) was a key objective of the “Borloo Plan”, for which one of the specific objectives was to foster the services supply by facilitating the agreement procedure, and so on. Thus, in 2012, 28 600 organisations were active in PHS sectors, which represents a 12 % increase in comparison to 2011. It was also designed to professionalise the sector by, among other ideas, developing national intermediary platforms that would ease the relation between demand and supply and guarantee the quality of the service providers that received their agreement.

3.3.2 Social objectives of PHS measures – social inclusion

► Objective 4: Improving access to childcare (including early childhood education and care (ECEC))

The rise of women’s labour market participation also increases the need for care for children in households. In this view, the Barcelona objectives stated that, by 2010, structures should exist that could welcome at least 90 % of children aged between 3 years and the age of education, together with at least 33 % of children less than 3 years old.

The provision of high quality and affordable ECEC plays a key role in children’s development and well-being. As illustrated in Guerin (2013), ECEC improves educational results and is effective in tackling inequality that affects children from early age, which generates significant long-term returns on investment. This is in line with the Europe 2020 objective of social inclusion and poverty reduction.

As indicated by the Commission (2014), ECEC also prevents early school leaving (ESL). Moreover, ECEC helps to increase parents’ access to employment and thus to an adequate income. While the access of affordable ECEC (and childcare in general) is crucial, it appears, however, that in several countries, some improvements are needed for them to benefit from the full potential of ECEC.

Taking later stages of education into account too, in some countries, PHS includes remedial classes and could therefore lead to a direct improvement in the educational results of the beneficiaries. Moreover, household services can also contribute indirectly to the improvement of children’s educational results, given that their use of PHS gives some parents more time for their children, which might include educational support. Finally, it has been underlined in various studies that childcare support has an impact on the participation of women in the workforce.

From the 1980s to 2007, the 0.2 percentage point increase in the coverage of childcare services has produced a 2.8 % increase in European female labour force participation rates (Thévenon, 2013). It is also the assumption introduced in a 2013 study by the Austrian Chamber of Labour, which proposed a virtuous cycle for public investment in childcare. The model calculation assumes that an investment of €100 million per year in childcare by the Federal Government and a similar investment by the Länders (in addition to the ongoing costs) will create between 30 000 (most pessimistic scenario) and 45 000 (most optimistic scenario) new jobs. They will be direct jobs in childcare but also in surrounding sectors. They will also include parents engaging in paid labour. The Austrian Federal Chamber of Labour estimates that the direct revenue generated by higher employment rates and savings in unemployment benefits would, in all scenarios, exceed the cost of supporting measures after four years. In addition, “*once investment in construction is completed, the returns could exceed the costs by EUR 14 to 168 million*”.

 The employer-supported childcare vouchers programme implemented in the **United Kingdom** has helped approximately 700 000 families to afford childcare since 2005. Of the childcare vouchers’ users, 83 % are basic rate taxpayers, with the largest take-up being among manual and unskilled workers.

► **Objective 5: Improving access to elderly care/long-term care/care for people with disabilities**

As a result of the decrease in their physical capacities, elderly people have important PHS needs (from domestic help to care). Currently, care for the elderly can be too expensive for some people. In that respect, measures to support PHS could help the elderly to afford those services and therefore help them to stay at home for longer instead of moving to rest homes. It has been proven that ‘deinstitutionalisation’ of elderly care (i.e. the trend towards reducing institutional care in favour of homecare/proximity and community care) has several advantages with regard to results, well-being, and so on. Moreover, the cost of providing home care is not necessarily higher than providing institutional care (it might even be lower), as discussed, for example, in OECD (2011).

A similar observation holds true for people with disabilities, who may also need PHS. Affordable, good quality PHS could enable them to remain independent.

 The Spanish “**Dependency Law**” adopted in 2006 seeks to guarantee comparable access to LTC services for people who cannot lead independent lives for reasons of illness, disability or age. In November 2014, there were 729 313 beneficiaries with effective benefits and 167 869 people currently waiting to receive benefits, which corresponds to a 45.13 % decrease in comparison to January 2012.

3.2.3 Gender equality and work-life balance

► **Objective 6: Gender equality and better work-life balance for users**

The increase in female activity rates creates a need for measures to support work-life balance. Women in most countries still shoulder the greater share of the “housework” burden, because of an unequal division of work at home. This is clearly illustrated by the Eurofound (2012a) results, which indicate that, as concerns the time spent on activities outside of paid work, the differences between men and women are striking, specifically with regard to housework and, to a lesser extent, childcare. Gender equity is thus not respected in this field and the consequences for women are broad and visible in the long-term, with a higher risk of vulnerability and poverty, lower income levels and less purchasing power, pension gaps, and so on.

According to a recent McKinsey Global Institute report (2015), if every country matched the progress toward gender parity of its fastest-improving neighbour, global GDP could increase by \$12 trillion by 2025. The report also states that *“the lower representation of women in paid work is in contrast to their higher representation in unpaid work. Seventy-five percent of the world’s total unpaid care is undertaken by women, including the vital tasks that keep households functioning such as child care, caring for the elderly, cooking, and cleaning. However, this contribution is not counted in traditional measures of GDP. Using conservative assumptions, we estimate that unpaid work being undertaken by women today amounts to as much as \$10 trillion of output per year, roughly equivalent to 13 % of global GDP.”*

In general, for both men and women, PHS measures lead to better conciliation between work and private life by facilitating the outsourcing of part of the housework. In this regard, the provision of PHS is of crucial importance. Along with a better work-life balance, the use of PHS also allows users (especially women) to work more hours than before they externalised those services, or it may even enable them to re-enter the labour market. In that respect, PHS might therefore improve gender equality when it comes to access to employment. In general, for both men and women, PHS could therefore also have a significant impact on the employment of users. However, it is important to mention that such effects are only relevant in the case of households that did not use PHS before, even in the undeclared economy.

 In **Belgium**, 18 % of service voucher users consider that the main motivation for entering the system is an improvement in work-life balance. Indeed, the time saved by externalising domestic chores is mainly reallocated to family (23 %), other household tasks (22 %), entertainment (20 %) and rest and health (17 %) (IDEA Consult). In **Sweden**, for every purchased hour of household services

through the RUT tax deduction, married women (aged 25-55) gained 1.8 hours, of which 60 % is used for paid work (Halldén, 2014).

3.2.4 Working conditions

▶ **Objective 7: Better working conditions and health and safety provisions for PHS workers**

The introduction of PHS measures contributes significantly to the reduction of undeclared labour and thus to better working conditions and health and safety provisions for PHS workers.

As indicated by the Commission (2015), several reports emphasise the need to improve working conditions and professionalisation, in line with the ILO Domestic Workers Convention, which promotes and requires decent work in the sector. Eurofound (Cancedda, 2001) points out that working conditions vary widely between sub-sectors of PHS, where some types of jobs and work settings offer decent working conditions and others do not. Among others, they pointed out the following issues:

- ▶ Low wages in household services jobs;
- ▶ Low levels of protection for the self-employed in the household service sector and related high exposure to the risk of physical and mental stress;
- ▶ Part-time working is very common;
- ▶ Workers see the low hourly wages of part-time work as a limitation rather than a choice;
- ▶ In general, work in household services (especially personal services) is satisfying and rewarding for the more motivated workers;
- ▶ The most valued aspect is the opportunity it gives them to develop meaningful relationships, help those in need and use their own creativity.

The future development of PHS sectors will depend strongly on the effective improvement of working conditions, as they are central to the creation of jobs in PHS. Indeed, improvements are necessary to boost the attractiveness of the sector to workers and to strengthen their retention in the sector.



The European project [4Quality!](#) conducted an analysis of job quality in personal care and household services sectors in 11 EU Member States (Austria, Belgium, the Czech Republic, Finland, France, Germany, Italy, the Netherlands, Spain, Sweden and the United Kingdom). As such, it provides an overview of the situation in these countries and outlines identified good practices in the area of working conditions and skills development.

The table below provides an overview of the main objectives of some relevant PHS measures implemented in 8 country cases. For more details, see the full description of these measures on the [project website](#).



Table 1 : Overview of main objectives of PHS measures in 8 country cases

	Employment related objectives			Social objectives		Gender equality and WLB objectives	Working conditions objectives
	1 - Employment creation	2 – Reduction in undeclared work	3 – Fostering and/or development of PHS sector and activities	4- Improving access to ECEC	5 – Improving access to LTC	6 – Gender equality and better conciliation between work and private life for users	7 – Better working conditions & health and safety provisions for PHS workers
Belgium Service voucher system	✓	✓				✓	
Finland Tax credit for domestic help		✓					
France CESU	✓	✓	✓	✓	✓	✓	
Italy Aspasia Plus		✓					✓
Netherlands Services at home		✓					
Spain Dependency law					✓	✓	✓
Sweden RUT & ROT avdrag	✓	✓	✓				
United-Kingdom Employer-supported childcare voucher				✓		✓	

3.4 A tool to identify the needs and possible objectives of the policy

This section is intended to guide public authorities in the understanding of their context and in the identification of possible objectives for potential PHS measures. The table below gathers the questions that must be raised while the pertinence of possible objectives of PHS measure is considered according to the national/local situation. Answering these questions will help public authorities to identify whether one of the standard PHS objectives is accurate, given the national/local specific situation. A public authority should select the main objective(s) for the PHS policy on the basis of these questions.

More specifically, the table provides two types of information:

- ▶ Firstly, it presents the **key questions to be raised with regard to understanding whether a specific objective might be accurate** given the local situation. As indicated in the table, these questions consider both needs and potential. The potential indicates whether the objectives might indeed theoretically be reached given the context or, alternatively, whether additional objectives will have to be pursued in parallel in order to achieve the initial objective.
- ▶ Then the table states some **implications as concerns potential objectives**, on the basis of the answers that the authority might provide.

Table 2 : Identifying possible main objectives

Questions to be raised	Implications
<ul style="list-style-type: none"> ▶ Is there a potential need for employment creation in my country/area? <ul style="list-style-type: none"> ▷ What is the unemployment rate? ▷ What is the unemployment rate of specific groups by: <ul style="list-style-type: none"> ▪ Level of education (e.g. low-qualified)? ▪ Gender (e.g. women)? ▪ Duration of unemployment (e.g. long-term)? ▶ Is there potential for employment creation by implementing PHS measures in my country/zone? <ul style="list-style-type: none"> ▷ Is there potential demand for formal PHS? Under what conditions will this demand be effective? ▷ Is the current quality of PHS jobs attractive enough or is an improvement in working conditions also needed to attract workers? 	<ul style="list-style-type: none"> ▶ If the unemployment rate is considered too high and if the authority sees potential for reducing it via PHS, creation of employment might be a key objective for the measure. ▶ Moreover, if some specific groups are particularly suffering from high unemployment rates, targeting employment creation for those groups (e.g. women, individuals with low educational levels) should be considered. ▶ To define job creation as an explicit objective, it should be ensured that this objective can indeed be . In that perspective , the public authority must ensure as it implements relevant measures that PHS providers will indeed foster and be able to support employment creation. If not, fostering PHS activities might also become an explicit objective of the measure.

<ul style="list-style-type: none"> ▶ Is there a potential need to reduce undeclared PHS work in my country? <ul style="list-style-type: none"> ▷ Is there a large undeclared market for PHS? What is the share of undeclared PHS in the total PHS provided? ▷ Does the provision of undeclared services imply significant tax losses and/or threaten the working conditions/social protection of workers? ▷ What is the price of the services provided by the undeclared PHS market? Does the price of PHS on the undeclared market differ widely from the price in the formal PHS market? ▷ How is the undeclared market perceived in your country (social acceptance, etc.)? ▶ Is there potential for effectively reducing the undeclared PHS market by implementing PHS measures in my country? <ul style="list-style-type: none"> ▷ Do you think reducing the price would contribute effectively to tackling undeclared services or are other measures also needed (communication, etc.)? ▷ Do you think social habits could be changed? ▷ Do you think the formal supply is mature enough to support services formerly provided through undeclared work? 	<ul style="list-style-type: none"> ▶ In the event that the undeclared market is deemed too important (size) or too damaging (tax losses, working conditions), reducing it would be a relevant objective, in case the potential to reduce it does exist. ▶ Reducing the undeclared market might indeed be an objective, if identified mechanisms can fight it.
<ul style="list-style-type: none"> ▶ Is there a potential need to create and/or foster the PHS activities in my country? <ul style="list-style-type: none"> ▷ What is the current number of PHS providers? What is the (annual) growth rate of the number of (formal) PHS providers? ▷ What is the profile of the current PHS providers (private companies, etc.)? ▷ Who are the current users of such services (profile, etc.)? ▷ Are the services accessible (location dispersed around the country)? ▷ What is your judgement of the administrative burden of the demand and provision of services (documents to fill in, payments, etc.)? ▷ What is the price of the services? Is there a large difference between the price of these services and the undeclared market price? Are the services affordable? ▷ Are the services good quality? Are users satisfied with the services? ▷ What is your judgement of the degree of professionalisation of the services (trainings, etc.)? ▶ Is there potential for fostering/creating PHS activities by implementing PHS measures in my country? <ul style="list-style-type: none"> ▷ Do you think the market has room for new entries/improvements (i.e. that it is not too mature, in the sense there are enough services providers for the current demand)? ▷ Do you think the potential demand is potentially large enough to support the entry of new organizations? 	<ul style="list-style-type: none"> ▶ When answers to those questions indicate a low number of companies, a lack of quality, etc., PHS activities need to be developed/supported. ▶ The objective of creating/fostering PHS activities is relevant when potential demand might follow. In that respect, it is important to evaluate whether potential demand does exist.



<ul style="list-style-type: none"> ▶ Is there a potential need to improve access to childcare in my country? <ul style="list-style-type: none"> ▷ What is the activity rate of women? ▷ The enrolment rate of children (achievement of Barcelona targets) ▷ What is the price of childcare services? ▷ Are childcare services accessible? ▷ What is the quality of childcare services like? ▷ Are there significant inequalities (of revenues, educational achievement, etc.) according to the income/educational level of parents? 	<p>If the answers to these questions generally indicate that current childcare services / facilities do not meet needs, improvement of accessibility to childcare could be considered an objective of the measure.</p>
<ul style="list-style-type: none"> ▶ Is there a potential need to improve access to elderly care/long-term care/care for people with disabilities in my country? <ul style="list-style-type: none"> ▷ What is the dependency rate? ▷ What is the current and future age structure of the population like? ▷ What are the prices of different LTC services? ▷ Are elderly care services/care services for people with disabilities accessible? ▷ Is the current long-term care system sustainable (in terms of funding) given the current age structure of the population? ▷ What is the quality of elderly care services/care services for people with disabilities like? ▷ What types of services are provided? 	<ul style="list-style-type: none"> ▶ If the answers to these questions generally indicate that the current elderly care/care for people with disabilities does not meet needs, improvement of accessibility of elderly care could be considered an objective of the measure.
<ul style="list-style-type: none"> ▶ Is there a potential need to improve gender equality and better work-life balance for users in my country? <ul style="list-style-type: none"> ▷ How satisfied are households with their work-life balance (WLB)? ▷ What is the main reason for women being inactive? ▷ What is the share of personal household work that is performed by women (versus men) at home? ▷ What is the share of single-parent households? ▷ What is the share of bi-active households? ▶ Is there potential for effectively improving gender equality and WLB by implementing PHS measures in my country? <ul style="list-style-type: none"> ▷ Is it possible that supply will meet the needs of users? 	<ul style="list-style-type: none"> ▶ If the work-life balance results are particularly alarming, the female inactivity rate is particularly high and/or the structure of households is making it difficult for parents to balance their work and private life, this could clearly be an objective. ▶ When considering improving work-life balance through the implementation of PHS, PHS supply must be sure to meet the potential increase in the demand for PHS.
<ul style="list-style-type: none"> ▶ Is there a potential need to improve working conditions for PHS workers in my country? <ul style="list-style-type: none"> ▷ Is there a large undeclared PHS market? ▷ What is the quality of PHS jobs in the formal market like? <ul style="list-style-type: none"> ▪ Wages, working time, protection, status, training etc. ▪ What is the turnover in the sector? ▪ Are PHS jobs attractive (in comparison to other types of work)? 	<ul style="list-style-type: none"> ▶ Answers to these questions will help to determine whether there is a need to improve the working and employment conditions of PHS workers: if there is a wide undeclared market and/or a lack of professionalisation and good quality jobs can be identified in the formal market, this objective might be relevant. As already explained, good quality in PHS jobs is key to further developing the sector and increasing its attractiveness at the same



<ul style="list-style-type: none">▪ Do PHS workers have access to representatives (i.e. through labour unions)?▪ Do PHS workers have access to training?▶ Is there potential to improve working conditions by implementing PHS measures in my country?<ul style="list-style-type: none">▷ Does the current structure of the PHS market produce improvements in working conditions or is it necessary to change that structure?	<p>time.</p> <ul style="list-style-type: none">▶ Once the need to further develop working conditions is identified, its feasibility in the current framework/system must be assessed. If not, a total redesign of the sector must be considered (triangulation, etc. – see below).
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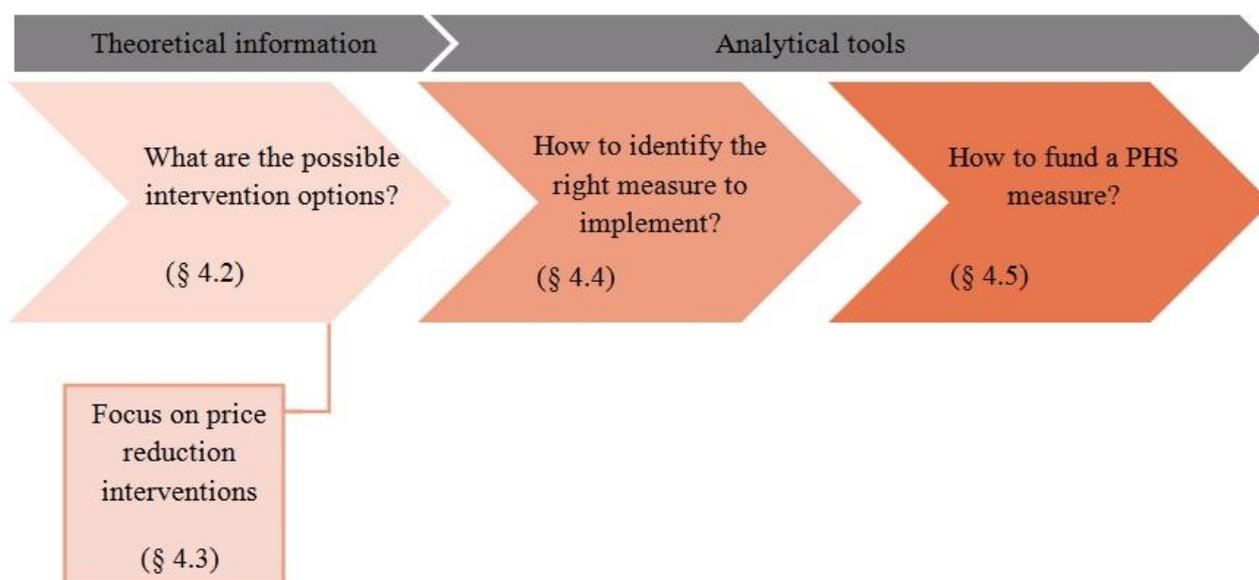
Part 4: What different types of PHS policy measures are there?

4.1 Introduction

This part provides theoretical background to the different types of PHS policies that can be implemented. It presents the different possibilities available to public authorities. For each aspect presented below, a comprehensive overview of policies' respective advantages and drawbacks will be explained in terms of equity, quality of services and of employment, structuration of the market and budget constrained.

In the following chapters, analytical tools are presented with a view to guiding national authorities when it comes to selecting the right measure.

The figure below summarises the structure of this part of the document.



4.2 Different types of intervention and related measures

Without supporting policies, a substantial proportion of PHS transactions would take place in the undeclared market. When a country is considering introducing a supporting policy, the first crucial choice is the selection of the main type(s) of intervention that will be implemented. The main type(s) of intervention can be linked to the main objectives of the measure. On the basis of this selection, specific related measures could be chosen.

The measures selected will specifically target the demand and/or supply side of the market. However, even if the first direct effects of a measure will be on only one side of the market, the measure might indirectly affect the other side too. Historically, there was a trend for care activities policies to favour a supply-side approach (relatively high importance of skills, quality assurance) and for non-care activity policies to favour a demand-side approach. However, it appears that policies often combine both supply- and demand-side support (service vouchers in Belgium, for example).

The table below provides a general overview of the main types of intervention that can be selected, along with their possible related measures and objectives. Table 4 provides more information on the design of PHS policies effectively implemented in eight Member States.

Table 3: Overview of the possible types of intervention and related measures by objective type

Types of intervention	Possible measures	Main types of objectives
Price reductions for users	Tax deduction/exemption	Objective 1: Employment creation Objective 2: Reducing undeclared work Objective 4 and 5: improving access to child and elderly care Objective 6: Gender equality and work-life balance
	Direct settlement system (support for users received in advance or at time of purchase)	
	Social subsidies whether provided through cash payments or near cash payments; social vouchers; in-kind benefits	
	Financial help from users' employers	
	Fostering/opening to competition	
Cost reductions for providers	Subsidies to suppliers	Objective 3: Fostering/development of PHS activities
	reduction in VAT rates	
	Employers' contribution exemptions	
Increase in the attractiveness of formal PHS (besides quality and price)	Communication campaigns to raise awareness of the illegality and dangers of undeclared work	Objective 2: Reducing undeclared work
	Communication campaigns to promote the formal system	
Increase in the quality of services	Accreditation	Objective 7: Better working conditions and health and safety provisions for PHS workers
	Standards	
	Training requirements	
Improving the supply of services	New regulations on employment (e.g. new employment status)	Objective 3: Fostering/development of PHS activities
	Professionalisation: training, working conditions, skills recognition	Objective 7: Better working conditions and health and safety provisions for PHS workers
	Indirect policy: immigration policies	
Improvement in accessibility and in matching demand and supply	Opening up competition (i.e. enabling entry of new companies)	Objective 3: Fostering/development of PHS activities
	Digitisation of the system (i.e. easing online transactions between users and services providers)	

- *Price reductions for users*

This type of intervention could be implemented by means of several measures. A first set of measures is based on direct price reduction mechanisms that result in a reduction of the prima facie value of the service. Thus, the price set by service providers, which covers all their costs, is not the price actually paid by users who make use of the demand-side support. By being consumer-led, such measures have the advantage of not interfering with the way in which the supply is structured and step up competition among service providers. Furthermore, demand-side support can be fixed (through

flat-rate subsidies) or adjusted to users' income and/or needs in order to grant better equity in the access to those services. Different instruments are on offer.

- ▶ **Tax deduction.** It is important to note that with tax allowance the full price of PHS has to be paid in advance by the user. This may have two implications:
 - ▷ The economic advantage is less tangible for potential users and therefore less attractive,
 - ▷ People on low incomes or people who do not pay taxes may be discouraged. Depending on the nature of the tax allowance, it may even provide a benefit that is proportional to household income. However, the anti-redistributive nature of the tax benefit can be overcome by introducing a tax credit in cash to people whose tax is zero or too low to benefit fully from the tax benefit.

Another difficulty faced by people on low incomes is the potential liquidity constraint when low-income households do not receive subsidies for PHS ex-ante. Finally, “deadweight effects” (that come from the fact that some people would enjoy tax benefits even though they would have bought PHS anyway, regardless of tax deductions) must be carefully taken into account. In that regard, it is important to communicate and reflect on the value of ceilings (for example, the maximum amount of PHS bought for which tax deductions will apply).

- ▶ The introduction of a **direct settlement** system to ensure that some demand- or supply-side support (particularly tax shifts) can be received in advance or at the time of purchase.
- ▶ **Social subsidies** implemented mostly under the framework of social care policies. Their efficiency is tightly linked to the level of restriction over what can be purchased and/or who can be hired. They can be provided through a cash payment to the beneficiary, the distribution of social vouchers for access to PHS or the attribution of a PHS “hours package”.
- ▶ **Financial help from users' employers.** A measure (such as tax deduction for employers, reduction on social contributions and services vouchers distribution, among others) might facilitate access to PHS as a result of financial help from users' employers. As such, it can contribute to the development of the PHS sector and, at the same time, reduce its burden on public budgets. This innovative funding mechanism, which can also combine several sources of funds from both the public and the private sectors, is particularly interesting in the current climate of economic austerity.



In **France** and the **United Kingdom**, through the HR pre-finance CESU voucher and the Childcare voucher respectively, employers have the opportunity to grant their employees a non-monetary bonus or a salary sacrifice which gives them access to PHS (restricted to childcare services in the UK). In both cases, employers benefit from national insurance exemptions or tax reductions.

In addition to direct user-price reduction instruments, another instrument may be used to decrease the price of the services indirectly:

- ▶ **Opening up/fostering competition** within the market and managing the plurality of providers (for-profit, not-for-profit, public). If a range of providers is available, a wide-ranging demand for services can be met. It should be noted that the coexistence of different types of providers (for-profit, not-for-profit, public) can be encouraged in a number of ways, including credit facilities for associations and harmonised tax levels across all providers.



Box 1. Tax deduction measures in Finland, France and Sweden

Finland: the “*kotitalousvähennys*” tax credit for domestic help grants users a tax deduction/credit up to € 2 400 per year per person (€ 4 800) for expenses over € 100 on the purchase of household services (i.e. cleaning, gardening, renovation and home repairs, installation and maintenance of support information technology and telecommunication in the home) and on care services for an elderly person or a child in the home. The measure covers either 45 % of expenses when services are bought from an organisation or 15 % of wages and 100 % of employer social contributions when users directly employ the worker. Eligibility is restricted to users who have not

already been supported through care policies.

France: PHS users are entitled to a tax deduction or a tax credit when they employ a PHS worker or buy services from an approved provider. The fiscal incentives amount to 50 % of the cost up to a ceiling of € 12 000 per tax household, which translates to an actual credit of € 6 000. The ceiling is raised by € 1 500 (up to a maximum of € 15 000) per dependent child and household member over the age of 65. If a household member has a disability card, the ceiling reaches € 20 000.

Sweden: the *RUT-avdrag* (tax deduction for domestic service work) amounts to 50 % of the labour costs up to a maximum threshold of approximately SEK 50 000 (€5 450) which is equivalent to a maximum tax reduction of SEK 25 000 (€ 2 715) for each individual in one year. People over 65 years benefit from a higher threshold of SEK 100 000 (€ 10 900). Sweden has the particular feature of having implemented a system in which the user benefits directly from the tax deduction whereas the provider applies directly to the tax authority for the reimbursement of the remaining 50 %.

- *Cost reductions for providers*

In the interests of developing supply in the sector, one type of intervention that can be made is a reduction in cost for PHS providers. This type of intervention focuses on the supply side and can be made through several types of measures, including:

- ▶ **Subsidies** to providers, in the form of direct financial intervention from the public authorities. This is the case in **Belgium**, for example, where registered companies receive a government subsidy of € 13.54 or € 12.54 per hour on top of the € 8.50 or € 9.50 paid by users.
- ▶ **Employers' contribution exemptions**, which are also a direct financial support to companies. This measure reduces the social contributions employers have to pay for their workers. This is the case in **France** where approved associations providing care services receive implicit State support through the partial or full exemption of social contributions, making their labour much cheaper.
- ▶ **Reduced VAT rates**, which are a form of indirect financial support to companies, as they reduce the price for users. Such is the case in **France**, where household services benefit from a reduced VAT rate of 10 % as of 2013 (up from 5.5 %).

- *Increase in the attractiveness of formal PHS (besides quality and price)*

If the undeclared market is socially accepted or the existence of the formal system is not sufficiently known in the population, it would be wise to consider implementing measures that are designed to increase the attractiveness of the formal PHS sector (besides quality and price). Two types of measures are particularly pertinent:

- ▶ **Communication campaigns** to raise awareness on the illegality and dangers of undeclared work. Responsibilities and duties of PHS employers should also be stressed, to make sure that they understand what they may encounter or risk while they continue to depend on undeclared work.
- ▶ **Communication campaigns** to promote the formal system.

- *Increase in the quality of the services*

To increase the attractiveness and professionalization of the sector, an improvement could be made to the quality of the services and the formal framework for PHS providers. Several measures (quality control mechanisms) could be adopted to ensure the improvement occurs:

- ▶ **Accreditation.** A national authority could provide accreditation on the basis of sound criteria and therefore enhance quality of services.



In **Sweden**, local authorities are obliged to develop and apply measurements or indicators of quality in elderly care services.

- ▶ **Standards.** Furthermore, setting up standards and monitoring them might also guarantee compliance with some quality criteria.



In the **Netherlands**, the Foundation for Harmonisation of Quality Review in Health Care and Welfare (HKZ) adopts standards related to home care and social services. Providers who comply with the standards receive certification which is valid for three years. Recently, the **German standardisation body** (DIN) has developed standards on the minimum information, advice and placement services provided by PHS suppliers. The development of a second set of standards on the actual provision of PHS is planned for the second half of 2016.

- ▶ **Training.** Finally, requirements for training courses might also favour improvement in the quality of services.



In **Belgium**, it is compulsory for every service vouchers agency in the Joint Committee Nr 322.01 to provide professional training every year that amounts in total to at least 11 hours per worker (the total number of hours per firm can be used without distinction among employees) and for each new worker.

Those measures are likely to improve the confidence of potential users and stimulate demand. Furthermore, as far as equity is concerned, it is important to adopt regulations that guarantee the same quality of services for everyone.

- *Improving the supply of services*

Along with the reduction of prices and formalisation of the framework for providers, it is also important to stimulate employment in the formal market. Several measures can be introduced to foster employment possibilities in the PHS sector:

- ▶ **New regulation on employment.** Facilitating hiring and increasing the attractiveness of PHS work (employment security) through adequate statuses for employees.



Spain adopted a Royal Decree in 2011 which updates the labour relationships of domestic employees. It was intended to improve working conditions in the sector by bringing them as far as possible into line with those of other workers.

- ▶ **Professionalisation** (training, working conditions, skills recognition, etc.). Particular attention needs to be paid to this factor when it comes to supporting policies that are primarily intended to create jobs, promote employment and reduce undeclared work.
- ▶ **Fostering PHS labour indirectly.** This can mean, for example, immigration policies that are crucially important in many European countries in which immigrant informal service providers represent the main form of supply.



Since 2002, **Italy** has regularised the status of irregular migrants employed as domestic and care workers three times. As such, more than 550 000 of them have been awarded a work permit.

- *Improvement in accessibility and in matching demand and supply*

Finally, another possible form of support from public authorities would be to facilitate access to the services for users and interaction between the demand and the supply, but also to ensure that the objectives planned can be achieved. The support can take the form of several measures described below:

- ▶ **Opening up/fostering competition** is a way to increase the number of stakeholders and improve access to services for users.

- ▶ **Digitalising** administrative duties and/or potential price reduction measures could be an efficient tool to help users with purchasing services on the formal market and to enhance management quality, among other benefits.

The table below provides an overview of the main PHS measures in case studies from eight countries.

Table 4: Overview of main PHS measures in eight country cases

		Belgium Service voucher system	Finland Tax credit for domestic help	France CESU	Italy Aspasia Plus	Netherlands Services at home	Spain Dependency law	Sweden RUT & ROT avdrag	United Kingdom Employer-supported childcare voucher
Price reductions for users	Tax deduction/exemption	✓	✓	✓				✓	
	Direct settlement system							✓	
	Social subsidies				✓		✓		
	Financial help from users' employers			✓					✓
	Fostering/opening up competition	✓		✓			✓	✓	✓
Increase in quality	Accreditation	✓		✓ only LTC services					✓
	Standards			✓ only LTC services			✓		✓
	Training requirements	✓		✓ only LTC services	✓		✓		✓
Increase attractiveness of formal PHS	Awareness-raising on the illegality and dangers of undeclared work								
	Campaign promoting the formal system				✓				



Cost reductions (providers)	Subsidies to suppliers	✓							
	Reduction in VAT rates			✓					
	Employers' contributions exemption		✓	✓	✓	✓			✓
Facilitating/fostering employment	New regulation(s) on employment	✓				✓			
	Professionalisation				✓				
	Indirect policy								
Improvement in accessibility and in matching between Demand and Supply	Opening up competition	✓		✓				✓	
	Digitalisation	partly		partly	partly				

4.3 Tools for price reduction mechanisms

As part of an intervention in the field of price reduction, the use of tools that give the user the ability to access PHS could be used to support the implementation of different types of measures. It is worth noting that such tools may be complementary and could be combined to establish PHS policies properly:

- ▶ **Cash payments:** Public authorities may grant some of their citizens (according to specific criteria: age, number of children, income, level of dependence, and so on) some money to access PHS (mostly care services). A tool of that type, used above all to transfer social subsidies, does not allow transparency in the final use of this form of welfare. Some barriers have therefore been identified, such as the lack of up-to-date and accurate information on the services provision available and the transfer of responsibility onto users, which challenge traditional service delivery mechanisms and professional expertise.
- ▶ **In-kind benefits (or direct provision):** Especially important in the case of PHS granted in the framework of long-term care, disability care and childcare public policies. This support can be used only for the provision of a specific type of service. Lately, in-kind benefits have been abandoned in favour of direct price reduction mechanisms in the interests of stimulating the provision of PHS and containing costs (less bureaucracy and outsourcing of the “transaction cost” that stems from the organisation of in-kind services).
- ▶ **Voucher programmes:** Vouchers (whether paper-based, on card or electronic) provide individuals with access to predetermined services. Recipients exchange vouchers at designated services providers that are then reimbursed through a simple process. They are alternatives to traditional in-kind or cash assistance. The creation of a general voucher system is particularly relevant for PHS, as it could render these activities more visible and make formal employment (and administrative duties) easier. These voucher systems fit with other types of measures that support policies, as they can be:
 - ▷ Accessed directly by citizens;
 - ▷ Distributed by employers;
 - ▷ Distributed by public authorities.

The table below summarises the characteristics of the tools.

Table 5: Characteristics of the different types of tools

	Cash	Voucher	In-kind (or direct provision)
Universal (unrestricted use)	✓		
Transparent		✓	✓
Facilitates data collection, monitoring and assessment		✓	
Gives access to specific providers		✓	✓
Offers a choice to users	✓	✓ (within a network of providers)	

Ensures funds reach their intended destination		✓	✓
Adaptable to different modalities (mobile, electronic, card, paper)		✓	

Given the characteristics listed above, it is important to highlight that these tools could be more or less suitable to the implementation of the price reduction measures available. The table below provides an overview of the tools' suitability to the different price reduction measures.

Table 6: Suitability of the different type of tools to the measures

	Cash	Voucher	In-Kind
Tax deduction	✓	✓	
Social subsidies	✓	✓	✓
Financial help from users' employers		✓	✓
Fostering/opening up competition	✓	✓	✓

4.4 A tool to identify the types of measures to be implemented

In this section, we provide guidance for the selection of types of measures to be implemented. It is important to note that identification of the relevant measures will depend on the context and objective of each country/region. In that regard, we do not provide a ready answer on the ideal policy to be implemented in a given area; rather, we help policymakers to consider every crucial aspect when they are designing a specific policy, step by step, together with the implications of those aspects.

Table 8: Tool to identify the types of measures to be implemented step by step

Key aspects to analysed	Questions to be raised	Implications
Step 1: The objectives of the measure		
<i>See tool for identifying possible main objectives in chapter 4.</i>		
Step 2: The scope of the measure		
What should be the scope of the measure (who or what are the targeted workers, users, activities)?	Do I want to reach a specific group of workers (when increasing employment)?	The answer to this question will help to determine whether the measure will have specific features or not with regard to worker types. For example, reduction in company taxes might be allowed for only some types of workers (i.e. the long-term unemployed)
	Do I want to reach a specific group	If a policymaker wants to reach a specific group of users, targeted

	of users?	demand-side support will be necessary (e.g. social subsidies targeted to households with low revenues).
	What types of activities do I want to be covered by the measure?	This will be strongly related to the main objective of the measure. If one considers a measure on only one specific type of service (e.g. childcare), this must be taken into account when designing the policy. For example, regarding children, professionalisation will be very important, as will affordability (to fight inequality). Therefore measures for both the demand and the supply side could be considered.
Step 3: The type of intervention of the measure		
Should I reduce the price for users?	Is the formal market currently affordable, including for lower incomes?	If it is not, lowering prices might be a key objective. Several measures should be considered, but specific focus should be put on equity. Specifically, the design of the policy should take into account the fact that support for those with lower incomes is needed: in this respect, a sole tax deduction would not lead to a significant increase in demand for lower incomes. It must then be combined with other support forms that ensure that the direct price of services is accessible to those with lower incomes. One might also pay particular attention to deadweight effects: the support provided should effectively help people with lower incomes to access services and should not only allow people to benefit from subsidies/tax deduction on services that they would have bought anyway.
	Is the demand price-elastic?	If not, reducing the price will not change much with regard to demand. One might then consider improving quality, reducing administrative burdens, and so on.
	Is the undeclared market appealing for users (price)?	If it is, consider implementing measures to reduce prices in the formal market (demand supports and/or supply supports) and measures to combat social acceptance of undeclared work (see below).
Should I reduce costs for services providers?	Are the costs to produce PHS such that the production of those services would not be profitable for services providers or would be provided at too high a price?	If they are, one could support the supply side by implementing measures to reduce the cost of providing the services. They could pay attention specifically to labour costs that represent most of the costs of the services.
Should I implement measures to increase quality in the PHS sector?	Is the undeclared market appealing for users (quality)?	If the difference between quality in the undeclared market and quality in the formal market is not high enough, implementing measures to increase quality in the formal market might be necessary.
	Does the current formal market offer a sufficiently high quality/professionalisation to support the development of the market?	If it does not, one might consider the implementation of certification and training courses. In that respect, a system based on a triangulation (PHS workers employed by organisations instead of being directly employed by users) might facilitate the professionalisation of the market.
Regardless of price and quality, should I make the formal	Is undeclared market socially accepted?	If undeclared work is widely accepted socially, decreasing the price of formal services might not be sufficient. Then policymakers

market more attractive, relatively-speaking?		could consider communication campaigns to raise awareness on the illegality and dangers of undeclared work. The responsibilities and duties of PHS employers should also be stressed to ensure that they understand what they may encounter and what the risks are when they depend on undeclared economy.
	Is the existence of the formal system sufficiently known in the population?	If it is not, one should consider communication campaigns to promote the formal system.
	Are transactions in the formal market simple enough (in comparison to the undeclared market)?	If they are not, one should consider simplifying the system and reducing, for instance, administrative burden on users.
Should I facilitate/foster employment in PHS sectors?	Do PHS services providers have difficulties hiring PHS workers?	If they do, one might think of implementing policies that facilitate employment by PHS providers (new regulation on employment, etc.).
	Are the declared jobs attractive enough to ensure the development of the sector?	If they do not, one might consider schemes to improve professionalisation and working conditions. In that respect, triangulations (as opposed to direct employment by users) might facilitate the development of better working conditions, training courses, etc. One might also consider putting in place specific statuses for employees that ensure them sufficient employment security but also offer employers sufficient flexibility. Ideally, designing that framework in coordination with social partners should be considered.
Should I enhance accessibility and/or support matching between the demand and the supply?	Are the service providers easily accessible (geographically)?	If they are not, the design of the policy will have to take into account the need for open competition, easier access to agreements, etc.
	Does demand easily match supply?	If it does not, it might be the case that several obstacles exist in the matching of demand and supply (e.g. supply side not easily accessible, match between demand and supply not centralised, complicated procedures when it comes to accessing the services, etc.). In this view, one could consider simplify procedures, for example, through digitalisation of the system introduction of a general voucher system.
Step 4: The price reduction and settlement system		
What tool should be used to implement a price reduction policy?	Do the different aspects of the desired policy imply that it would be implemented more efficiently through allocation in cash, in kind or through a voucher system?	Depending on the measures selected (tax reduction, presence of intermediaries, etc.) and the national context one might consider the whole range of tools. They can also be combined in the same intervention.
What should the price of PHS be?	What is the average price on the undeclared market in comparison to the price of the formal provision of services?	If the average price in the undeclared market is too low, a reduction in formal price might be necessary. This might be done through price reduction mechanisms (demand side) such as subsidy, tax deductions, etc. but it could also be complemented with supply side-supports with a view to decreasing prices and improve quality (e.g. we might consider opening the market up to

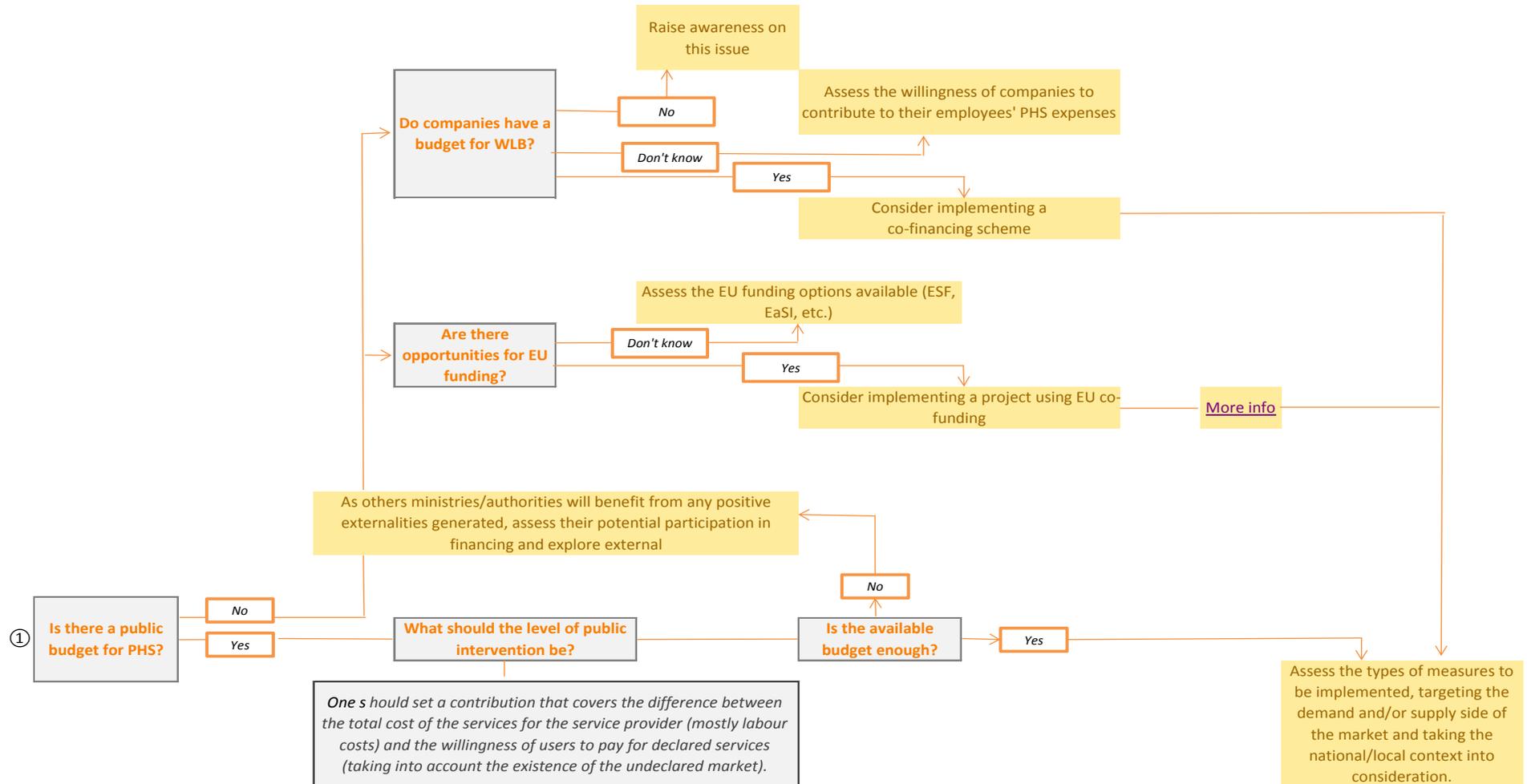
		competition or providing agreements to ensure sufficient quality). It is important to ensure that the price of formal provision is competitive in comparison to the price on the undeclared market.
Step 5: Specific features of the PHS measure		
What type of service providers should I promote?	Given the needs in terms of, among others, accessibility and sustainability, does the integration of private companies need to be encouraged and does competition in the sector need to be opened up?	Depending on the objectives and context, one could consider opening up the market to several organisations (whether private for-profit, private not-for-profit or public) in order to widen the market, decrease public cost, etc. The public authority might still play a key role in distributing agreements, and so on, to ensure the quality of services.
What type of employment relationship should I promote?	Given the needs in terms of, among others, quality of services and working conditions, should I foster employment relationships based on a triangular form of employment instead of a bilateral relationship or both (leaving the choice to the beneficiary)?	Depending on the objectives and context, one might evaluate which type of relationship best matches its expectations. Both types of relationship can also be allowed at the same time, as it is the case in France and in Finland.
What should the role of the public authority be?	In which specific aspects of the system should the national authority play a role?	Depending on the answers to previous questions, one might have a clearer idea of the possible role of the national authority. Specifically, the national authority might undertake the following roles: direct provision of services, intermediary between private organisations and users with a view to meeting demand, quality controller, monitoring of the system. The role of the national authority will depend on the objectives, context and budget available. It must be pointed out that direct provision of the services might be costly and a role as intermediary might result in lower expenses for the national authority.
Step 6: Funding the measure		
What should the potential available and invested budget be?	What should the level of public intervention in PHS be?	One should set a contribution that covers the difference between the total cost of the services for the service provider (mostly made up of labour costs) and the willingness of users to pay for declared services (taking into account the existence of the undeclared market). The sustainability of funding for the measure must also be taken into account, as must its possible earn-back effects.
	On the basis of the types of measures that you may need, do you think sufficient budget is available?	One might consider the different possibilities for “co-financing”: <ul style="list-style-type: none"> ▶ Participation of private companies to reduce functioning costs; ▶ EU (through funds such as the ESF); ▶ Other ministries, as the measures will also affect their work.



4.5 Funding a PHS measure

The part is intended to provide an overview of the various funding sources available for PHS measures. Thus, the decision tree below is designed to help public authorities to get an overview of the funding sources available and approaches to be considered when it comes to overcoming some potential problems.

Table 9: Decision tree on funding opportunities



Part 5: How can PHS policies be monitored?

5.1. Introduction

The aim of this part is to guide Member States on the assessment of their PHS measures. We focus first on monitoring and assessing the measures with regard to their objectives. In the last chapter we focus on the assessment of measures in terms of budgetary effects.

Monitoring and assessing the measures are key to designing effective PHS-supporting policies. Indeed, it helps to assess whether objectives have been met and, more generally, to identify the effective impact of the measure. This is a crucial step in designing effective policies, given that the results of the monitoring and assessment will enable conclusions to be drawn on whether some specifications of the measure need to be changed. For example, assessment and monitoring will help to identify whether the price of PHS is low enough to tackle undeclared work but also bring about sufficiently high quality formal PHS, whether additional training and quality guarantee schemes must be designed to improve the quality of the services, and so on.

However, even if PHS monitoring is crucial, evidence shows that many Member States have difficulties implementing a monitoring system and that they do not have enough data. Even the net cost of the system is not calculated in many Member States. Therefore, when implementing a policy, policymakers could directly identify the necessary steps to providing monitoring and assessment, possibly with the help of researchers.

5.2. A tool to evaluate the effectiveness of the measure

To assess the effectiveness of the measure, it is necessary to select the objectives that are intended to be fulfilled through the PHS measures. As a reminder, the following generic objectives have been identified:

- ▶ Objective 1: Employment creation
- ▶ Objective 2: Reducing undeclared work
- ▶ Objective 3: Fostering and developing PHS activities
- ▶ Objective 4: Improving access to childcare (including ECEC)
- ▶ Objective 5: Improving access to elderly/long-term care
- ▶ Objective 6: Gender equality and better work-life balance for users
- ▶ Objective 7: Better working conditions and health and safety provisions for PHS workers

In this chapter, we present, for each of the possible objectives, the indicators needed to assess the effectiveness of the measure. This description includes a brief explanation of the indicators and the sources that exist (or that have to be developed) in order to collect this data.

- *Objective 1: Employment creation*

Indicators to assess	Description of the indicators	Source of the indicators
Number of PHS workers	The number of individual PHS workers by year since the introduction of the measure	<ul style="list-style-type: none"> ▶ Workers directly employed by households have their own statistical category (NACE 97). The European Union Labour Force Survey (EU LFS) can therefore be used. ▶ On the other hand, employment in service provider organisations is much harder to locate and measure, as these organisations come from different professional fields and may offer a variety of activities. Most often, these organisations are located in the field of social work activities without accommodation and fall under the category 88 of NACE Rev. 2. For home-
Number of PHS workers in full-time equivalent	The number of individual PHS workers by year in full-time equivalent since the introduction of the measure	
Number of PHS jobs created	The number of individual PHS jobs per year (a PHS worker can have different jobs per year) since the introduction of the measure	
Number of administrative employees	The number of individuals employed to support PHS workers by year since the introduction of	



	the measure	<p>based personal and household services, data are imprecise because they are mixed with other activities. For instance, cleaning houses or apartments will fall under NACE 81.21 (General cleaning of buildings) and is therefore mixed with cleaning offices or factories, which is a different type of activity. Private lessons for pupils is part of NACE 85.59 (Other education not elsewhere classified) but mixed with other forms of instruction not given at home. Therefore European Union Labour Force Survey (EU LFS) could not be used to give an overview of the number of persons employed in household services.</p> <p>▶ As such, to collect data on the number of workers, it is recommended that the public administration in charge of the measure should collect new administrative data. We recommend that data are collected every year through an obligatory census of all workers in PHS companies. Every year, each company that received a license/certification should provide a full set of information regarding all the workers at the company (PHS workers and administrative employees):</p> <ul style="list-style-type: none"> ▶ By profile characteristics (gender, age, nationality, education, region of domicile, etc.) ▶ By employment characteristics (contracts, employment duration in the system, etc.)
Number of administrative employees in full-time equivalent	The number of individuals employed for the support of PHS workers by year in full-time equivalent since the introduction of the measure	
Profile characteristics of PHS workers	<p>The number of individual PHS workers by year since the introduction of the measure by:</p> <ul style="list-style-type: none"> ▶ Age ▶ Gender ▶ Level of education ▶ Nationality ▶ Marital status ▶ Number of children 	
The number of new workers	The number of individual workers entering a PHS job by year	
The number of workers that leave PHS	The number of individual workers leaving their PHS job by year	

- *Objective 2: Reducing undeclared work*

Indicators to assess	Description of the indicator	Source of the indicator
The users of PHS on the undeclared market	The number of users of PHS on the undeclared market before the use of formal PHS	<ul style="list-style-type: none"> ▶ Eurobarometer; a direct survey with interviews with 26 755 EU citizens aged 15 and older and living in the 28 EU Member States. ▶ On the basis of Eurobarometer data, it is possible to identify the share of the undeclared PHS market. However, to have a clear view on the number of PHS users buying services on the undeclared market before, it is necessary to carry out a survey of PHS users. In this survey, a question concerning use of PHS in the undeclared market before use of PHS on the declared market should be included. However, these data must be analysed with caution and most of the time are an underestimation of the phenomena, as respondents do not always provide truthful answers to this type of question.
The undeclared PHS workers	The number of workers that worked on the undeclared labour market before their employment in the formal PHS market	<ul style="list-style-type: none"> ▶ Eurobarometer; a direct survey with interviews with 26 755 EU citizens aged 15 and older and living in the 28 EU Member States. ▶ On the basis of Eurobarometer data, it is possible to identify the share of the undeclared PHS market. However, to have a clear view on the number of PHS workers working in the undeclared market before, it is necessary to carry out a survey of PHS workers. In this survey, a question concerning the previous working situation (including undeclared labour) of the PHS worker should be included. Again, these data must be analysed with caution and most of the time are an underestimation of the phenomena as respondents do not always provide truthful answers to this type of question.

- *Objective 3: Fostering and/or development of PHS activities*

	Indicators to assess	Description of the indicator	Source of the indicator
Primary indicators	Number of service providers	The number of organisations/companies offering PHS by year since the introduction of the measure	<ul style="list-style-type: none"> ▶ For the reasons described above (objective 1), it is not possible to use existing national and European sources to assess the creation of new service providers. Therefore, to collect data on the number of service providers, the public administration in charge of the recognition of PHS companies should collect new administrative data. The data on the number of services providers could be collected at the moment of the recognition. Additional information – e.g. the size of the company – should be collected in the census of
	Change in the number of service providers	The change in the number of organisations/companies offering PHS by year since the introduction of the measure	
Secondary indicators	Type of service providers	The number of organisations/ companies offering PHS by year, by type (public, private, self-employed, direct employment)	
	Characteristics of the service providers	The number of organisations/ companies offering PHS by year, by profile characteristics: <ul style="list-style-type: none"> ▶ The size (number of workers) 	
	Quality of the services provided	The satisfaction of users with regard to services provided	



	Professionalisation	The proportion of workers that have taken training.	<p>companies.</p> <ul style="list-style-type: none"> ▶ The professionalisation and quality of the services provided can be roughly estimated according to changing demand for them, which might give information on the satisfaction of the clients. However, additional information must be collected, mostly through surveys among users, to get information about satisfaction with the services. Regarding professionalisation, the share of workers that have taken training courses, etc. could be collected through survey on companies or through information collected via the training providers.
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- *Objective 4: Improving access to childcare (including ECEC)*

Indicators to assess	Description of the indicator	Source of the indicator
Number of beneficiaries (parents)	Number of individual (active) PHS beneficiaries by year	<ul style="list-style-type: none"> ▶ EU-SILC data on access to childcare provides some data, but to collect specific data on the beneficiaries of PHS childcare measures, the public administration in charge of the system should collect new administrative data.
Change in the number of beneficiaries (parents)	Change in the number of individual (active) PHS beneficiaries by year	
Profile of beneficiaries (parents)	Number of individual (active) PHS beneficiaries by year and by profile characteristics: <ul style="list-style-type: none"> ▶ Age ▶ Gender ▶ Level of qualification ▶ Level of income ▶ Dependency level ▶ Status (working or not) ▶ Marital status ▶ Number of children 	
Number of children reached	Number of individual children reached by year	
Change in the number of children reached	Change in the number of children reached by year	
Profile of the children reached	Number of children reached by year by profile characteristics: <ul style="list-style-type: none"> ▶ Age ▶ Level of household income ▶ Status (working or not) of the parents 	
Reasons for using PHS	The reasons why beneficiaries use PHS	<ul style="list-style-type: none"> ▶ Organise a survey of PHS users.
Quality of childcare	Satisfaction with the use of childcare (among parents)	
Increase in educational results	The number of PHS beneficiaries that declare that the use of PHS improved their educational results	

- *Objective 5: Improving access to elderly care/long-term care/care for people with disabilities*

Indicators to assess	Description of the indicator	Source of the indicator
Number of beneficiaries	Number of individual (active) PHS beneficiaries by year	<ul style="list-style-type: none"> ▶ EU-SILC data on access to long-term care provides some data, but to collect specific data on the beneficiaries of PHS elderly care measures, the public administration in charge of the system should collect new administrative data.
Change in the number of beneficiaries	Change in the number of individual (active) beneficiaries of PHS by year	
Profile of beneficiaries	Number of individual (active) PHS beneficiaries by year and by profile characteristics: <ul style="list-style-type: none"> ▶ Age ▶ Gender ▶ Level of qualification ▶ Level of income ▶ Dependency level ▶ Marital status 	
Reasons for using PHS	The reasons why beneficiaries use PHS	<ul style="list-style-type: none"> ▶ Organise a survey of PHS users.
Quality of elderly care	Satisfaction with the use of elderly care (among families or users themselves)/care for people with disabilities	

- *Objective 6: Gender equality and better work-life balance*

Indicators to assess	Description of the indicator	Source of the indicator
Number of beneficiaries	Number of individual (active) PHS beneficiaries by year	<ul style="list-style-type: none"> ▶ To collect data on the number of beneficiaries, the public administration in charge of the system should collect new administrative data.
Change in the number of beneficiaries	Change in the number of individual (active) PHS beneficiaries by year	
Profile of beneficiaries	Number of individual (active) beneficiaries of PHS by year and by profile characteristics: <ul style="list-style-type: none"> ▶ Age ▶ Gender ▶ Level of qualification ▶ Level of income ▶ Dependency level ▶ Status (working or not) ▶ Marital status ▶ Number of children 	
Reasons for using PHS	The reasons why beneficiaries use PHS	<ul style="list-style-type: none"> ▶ Organise a survey among users of PHS.
Improvement of work-life balance	The number of PHS beneficiaries that declare that the use of PHS has improved their work-life balance	
Impact of PHS on the employment of users	The number of beneficiaries of PHS that declare that the use of PHS had an impact on the number of hours that they work	

- *Objective 7: Better working conditions and health and safety provisions for PHS workers*

Indicators to assess	Description of the indicator	Source of the indicator
Number of hours of work	The total number of hours of PHS work by year	<ul style="list-style-type: none"> ▶ For the reasons described above (objective 1), it is not possible to use existing national and European sources to assess the working conditions of PHS jobs. ▶ Therefore, to collect data on the working conditions of PHS jobs, the public administration in charge of the system should collect new administrative data. We recommend that data are collected every year by means of an obligatory census of all workers at PHS companies. Every company that received a license/certification should provide a full set of information regarding all the workers at the company (PHS workers and administrative employees): <ul style="list-style-type: none"> ▷ By profile characteristics (gender, age, nationality, education, region of domicile, etc.) ▷ By employment characteristics (contracts, employment duration in the system, etc.)
Gross hourly wage	The average gross wage by hour of PHS workers	
Total gross wage per month	The total gross wage by month of PHS workers	
Type of contract	The number of contracts of definite and indefinite duration of PHS workers by year	
Hours of contract	The number of part-time or full-time PHS worker contracts by year	
Atypical hours	The number of contracts with atypical hours of work	
Training rate of PHS workers	The number of individual PHS workers that have followed a training course paid for by their employer by year	
PHS worker accidents at work	The number of PHS worker accidents at work by year	

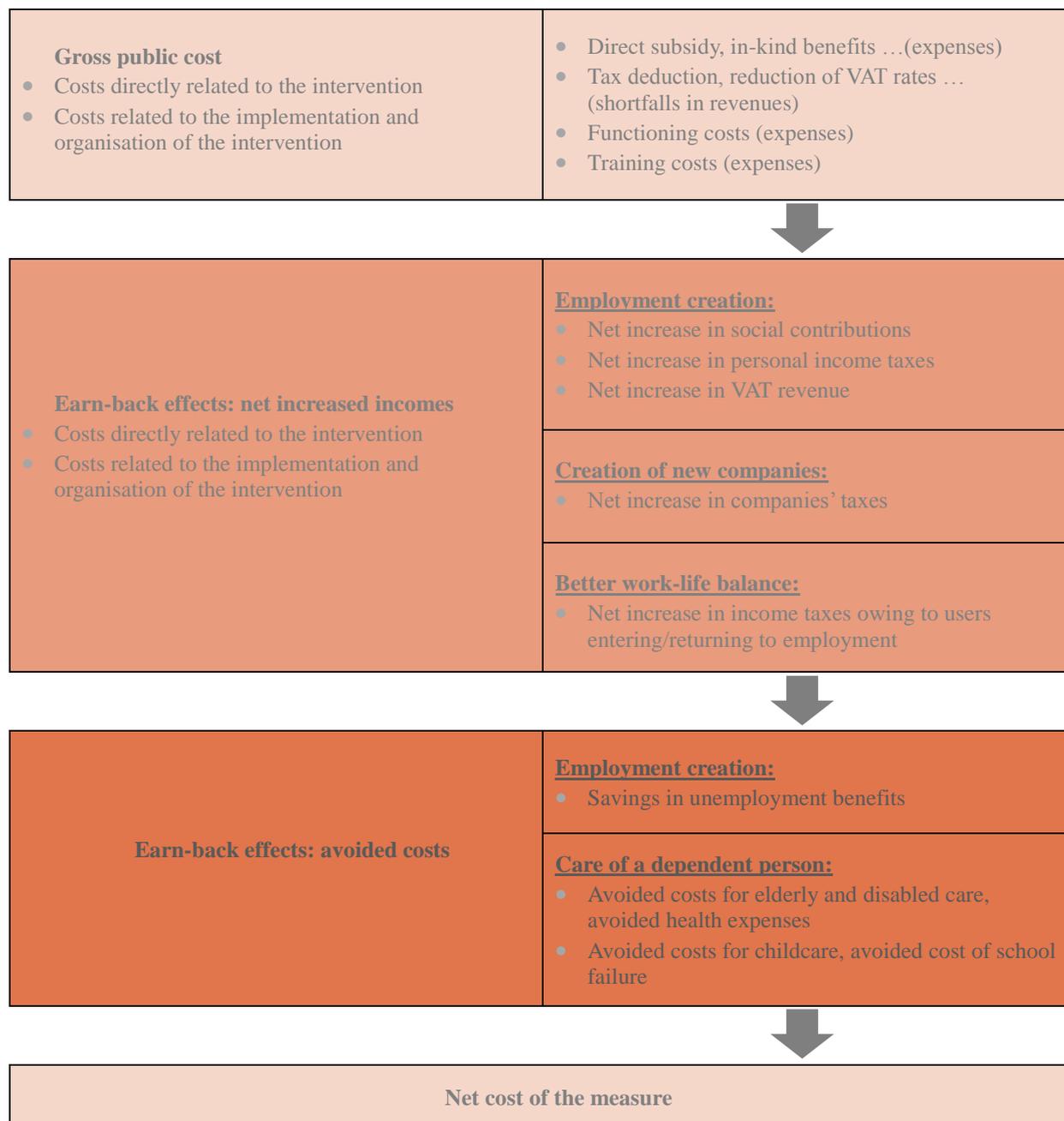
5.3. Estimating the net cost of the measure

The aim of this chapter is to guide Member States in the estimation of the budgetary effects of PHS measures. Before we present the key elements that have to be taken into account when estimating the budgetary cost of a measure, we must present some key observations on the assessment of net costs as well as the level and financing of public intervention:

- ▶ First, it is important to recall that PHS include many types of services. Specifically, PHS include both care and non-care activities. In light of that, the cost of the policy should be assessed according to the type of service that is supported. For example, policymakers may consider that the public net cost of a care supporting policy may be higher than the cost of a non-care supporting policy, owing to its nature. This chapter provides tools to measure the net cost of the policies. It does not provide an assessment of the maximum amount a public authority should spend on any given policy.
- ▶ PHS measures lead to a number of earn-back effects that could generate revenue for various types of public administration. Therefore, the net effect for all public administration should be taken into account, not only the net effect for the authority in charge of the measure.

The figure below summarises and simplifies the key aspects to be taken into account when estimating the budgetary cost of a measure.

Figure 4: The key elements for estimating the net cost of a PHS measure



Source: IDEA Consult

As mentioned in the figure, the net cost of the measure should be measured by calculating the **gross public cost of the measure** and subtracting the possible **earn-back effects**. As concerns the earn-back effects, we have to distinguish between the earn-back effects that are the result of **increased incomes** and the earn-back effects that are related to **avoided costs**.

 **Box 2. Net cost of PHS measures in Belgium, France and Sweden**

Belgium: in 2013, the gross public cost of the service voucher system amounted to € 1.93 million. This included government intervention through the voucher, tax

deductions for users and the functioning costs of the system. However, the yearly evaluations of the system conducted on behalf of the government have identified many earn-back effects which amount to:

- between € 937 and 961.9 million in net increased income, mainly from increases in social contributions and personal income tax,
- between € 339.3 and 453.3 million of avoided costs as a result of savings linked to employment creation.

Thus, taking into account all these earn-back effects, the net cost of the service voucher system was estimated at € 584 245 134, which represents a cost of € 3.901 per worker.

France: according to a study by Wyman, the gross public cost of PHS measures amounted in 2010 to € 6.2 billion. The study reveals that this gross public cost – made up of tax reductions and tax credit, reductions in employer contributions and other social and fiscal costs – is largely offset by € 5 627 million in net increases to income generated (i.e. additional social contributions, VAT revenue, and so on), together with € 3 356 million in avoided costs (i.e. avoided costs for dependent persons or childcare). All in all, the PHS sector leads to benefits for the French government that amount to € 2 640 million, or €5 060 for each full-time job.

Sweden: in 2011, the employers’ association Företagarna performed a cost-benefit assessment of the RUT system. It concluded that the earn-back effects were larger than the initial cost of the measure. As such, between 2009 and 2010, the gross public cost was SEK 900 million (€ 96.59 million). However the net increased income amounted to SEK 2 900 million (€ 311.23 million) from increases in companies’ taxes, VAT revenue and social contributions.

A more detailed overview of the data from and results of these studies is available [here](#).

In this chapter, we focus on the calculation of the earn-back effects, as the gross budgetary cost of a measure depends on the type of subsidy and it is easier to calculate for a Member State.

The earn-back effects depend on the effects that are obtained through the measure. The table below explains in a simplified way how the different earn-back effects should be calculated, depending on the effects that have been obtained.

Table 10: Earn-back effects

Effect obtained	Type of earn-back effect	Way to calculate the earn-back effect	Points for attention
Increased incomes			
The creation of (direct and indirect) employment/ Reducing undeclared work	Net increase in social contributions	Number of new jobs created (direct and indirect) * average wage * average social contributions	▶ Take into account possible reductions in social contributions through the employment of low-skilled workers
	Net increase in personal income tax	Number of new jobs created (direct and indirect) * average wage * average personal income tax	▶ Take into account possible reductions in social contributions for the employment of low-skilled workers

	Net increase in VAT revenue	Average VAT * consumption rate * average income of new workers – average unemployment benefits	▶ This applies only for all workers that were unemployed before
The creation of new companies	Net increase in companies' taxes	Number of new companies created * average benefits * average company taxes	▶ This applies only for all new companies created not for companies already existing before the introduction of the measure (substitution effect)
Better work-life balance	Net increase in income tax owing to users entering/returning to employment	Average income tax * total income from additional hours of work as a result of PHS	▶ This applies only for users that did not use PHS in the irregular market before
Avoided costs			
The creation of (direct and indirect) employment/ Reducing undeclared work	Savings in unemployment benefits	Number of new jobs created (direct and indirect) * average unemployment benefit	▶ This applies only for all new jobs created, not for jobs that already existed before the introduction of the measure (substitution effect)
Care for a dependent or disabled person	Avoided rest home costs	Number of elderly that stay longer at home * average cost for rest homes	▶ Difficulty with estimating the number of elderly that stay longer at home
	Avoided health costs/medical expenses	Identification of avoided public medical expenses as a result of care	▶ Difficulty with estimating avoided expenses, as it is difficult to disentangle the effects of care on the health of users
	Avoided nursery costs	Number of children * average cost of a nursery	
	Avoided cost of school failure	Number of students that avoided school failure * average cost of failure	▶ Difficulty with estimating the number of students that avoided school failure

Part 6: Policy Pointers

6.1 Introduction

As a conclusion, we present below some key policy pointers to be considered when a public authority is implementing or redesigning a PHS supporting policy. These policy pointers are rather generic, as the very detailed and specific features of a system will depend on the local/national context, objectives, and so on and cannot be provided without sufficient knowledge of that context and those objectives.

6.2 Policy pointers step by step

Step 1. The framework for implementing the policy

- *Involve all stakeholders in the design of the policy*

To ensure solid development of the sector, it is important that all relevant stakeholders are involved in the setup of the policy. Indeed, aspects such as the status of workers, (minimum) wages, and so on are crucial in the development of the PHS activities. That is why all stakeholders need to be involved, above all through strong social dialogue (open discussions with social partners).

- *Favour long-term, general and, ideally, permanent structures*

Although time-limited projects might be helpful for fostering new service infrastructures, serve as a good experiment or contribute to establishing formal PHS activities, policymakers must pay attention to subsidy/support instruments and their duration: withdrawing public subsidies regularly leads to the decline of the infrastructure created. In order to develop a reliable framework for PHS with sufficient capacity, framework conditions need to be permanent and reliable. To be able to invest and develop their PHS activities, providers need stability and long-term perspective. Users will also need some adjustment time to make full use of PHS. What is more, the earn-back effects and the impact on employment will be observable only in the long-term. Finally, to make sure that the system remains sustainable, it would also be wise to develop some regular assessment procedures that will ensure that the system is continuously reviewed, which will guarantee its efficiency in the long run.

Step 2. Understanding the context and specifying policy objectives

- *Conduct an analysis of key indicators in order to come up with a clear diagnosis of needs*

Before they design PHS policies, policymakers must ensure that the context in which PHS take place is clearly understood. In particular, analysis of the following key indicators will help to set out needs in the country and the resulting policy objectives. In particular, the following aspects must be analysed:

- ▶ The existence of undeclared market (examples of indicators: the share of undeclared work, the price of undeclared PHS);
- ▶ The unemployment situation (example of indicators: the unemployment rate by level of qualification);
- ▶ The need for work-life balance (example of indicators: the female activity rate, the percentage of single-parent families and the share of bi-active households);
- ▶ The need for PHS in the population (example of indicators: the dependency ratio);
- ▶ The characteristics of current formal activities (example of indicators: the share of formal PHS before the measure was introduced, the cost of formal childcare and elderly care, etc.).

This diagnosis will help Member States to specify their objectives and design the PHS measure accurately.

- *Select official policy objectives according to the diagnosis and related needs*

Once the context is understood and depending on the needs identified, policymakers could specify what the official objectives of the measure are. Selecting official objectives is key to designing the policy accurately and ensuring that it effectively pursues some defined goals. Defining clear objectives is necessary when it comes to monitoring the measure effectively and carrying out assessments of the effects of the measures; however policymakers should bear in mind that the measure also has many side effects that have to be taken into account but which are not necessarily identified as objectives.

Step 3. Setting the scope of the policy

- *Specify target user and worker groups as well as the scope of the services based on the context and objectives*

Given the context, it might be relevant for a national authority to target some types of workers/users specifically. In that regard, several specific instruments might help to reach this aim. For example, when the measure is designed to promote employment for specific target groups (i.e. the long-term unemployed), policymakers could only grant the possible tax deductions (for employers and/or users) when some criteria are met (for example, hiring an individual who has been unemployed for more than X months). Likewise, depending on the objectives selected, some types of services will be chosen and others will not.

Step 4. Designing the policy

- *Consider a policy mix to ensure that the implemented policy is able to foster both demand and supply sides and ensure that they match*

Supporting only the demand side might not be sufficient when policymakers believe that the current formal PHS sector is not mature/professionalised enough to face the increase in demand. In that regard, as illustrated in Part 5, the policy implemented in the countries reviewed very often brings together a number of distinct measures that support both the demand and supply sides of PHS activities.

It is also important to ensure that supply and demand match. When that is not effective (owing to, for example, a lack of accessibility for services providers or burdensome administrative procedures), policymakers consider, for example, digitalising the system or the implementation of vouchers to help the two sides match. It is also important to bear in mind that the existence of intermediaries in the system reduces administrative burden for users but also the perceived difficulties for some people when it comes to hiring somebody to perform domestic work.

- *Ensure the price of formal activities is competitive with the price of undeclared activities, guarantee equity of access and ensure long-term policy sustainability*

Two crucial aspects must be taken into account when setting the price (or when implementing indirect price reduction through subsidies, etc.):

- ▶ First, the price of formal activities must be sufficiently competitive with the price on the undeclared market. More specifically, formal services must be relatively more appealing than undeclared services. This must be ensured by a sufficiently competitive price (which would, in the long run, be higher than the undeclared price, with a view to ensuring sustainability of the measure), competitive and better quality of services and a sufficiently simple system (few administrative burdens, and so on.).
- ▶ It is important to take into account the fact that the price/offering subsidy must enable the measure to be sustainable in the long run in terms of public funding. More specifically, revenues for the State (from the measure and including earn-back effects) must compensate for the costs of the measure.

When considering reducing the price of PHS, policymakers could pay specific attention to the equity of the measure. Indeed, the measure should also benefit the people with the lowest incomes, who might also be looking to work more hours and/or spend time with their families and support the education of their children, and so on. In that regard, one sole tax deduction might not be enough to benefit them. To obtain equity, policymakers might complement a possible tax deduction with other measures or think about tax credit possibilities.

- *Promote professionalisation and attractiveness of PHS jobs by improving working and employment conditions*

Professionalisation of the system is key to its long-term development. PHS workers must receive the necessary training and so on in order to develop the skills needed to perform good quality PHS services.

In general, it is crucial for the development of the sector to ensure that it is attractive. In that regard, workers' working and employment conditions must be promoted to avoid possible shortages on the supply side.

- *Consider triangulation of the system to boost professionalisation*

In comparison to a system with direct employment (between users and workers), setting up services agencies/companies can help to match supply and demand, professionalisation and the improvement of working conditions. Indeed, if the system is triangulated, the employment relationship might be more formal and comparable to other forms of employment, which could guarantee access to social protection, facilitate access to training, and so on. What is more, it might reduce the risks of possible

fragmentation of the labour market (in which, for example, some workers would work very few hours) that could arise when direct employment is set up. Triangulation might, however, lead to higher costs for the State. In that regard, these costs must be compensated for with an improvement in the balance between supply and demand (for example, by reducing the administrative burden for users).

Step 5. Financing the policy

- *Design policy instruments according to available budget*

It is important to have a clear view of the total budget of the measure when considering implementing PHS measures. In light of that, policymakers might bear in mind that demand-side supports might be more costly, especially when demand is being subsidised directly. Within demand side supports, it is also important to be aware that the direct cost of tax deduction is less than the direct cost of a subsidy. However, it is also important to remember that the implementation of a PHS policy also generates earn-back effects, with a consequent return on investment.

- *Consider all forms of funding with a view to alleviating budget expenditure: co-financing*

Several types of “co-financing” should be considered:

- ▶ Private companies. Including private organisations in the system might help to reduce functioning costs. As discussed above, PHS improve work-life balance and may lead to an increase in hours worked and workers’ productivity of. In that respect, there is rationale for the private sector to participate in financing the system.
- ▶ Other national ministries. Given that PHS measures have broad positive effects (employment, etc.) that could have positive consequences for other national ministries, they might also be willing to invest in the design and implementation of the measure.
- ▶ EU funds (the ESF, in particular).

Step 6. Promoting the policy

- *Widely promote the implemented measure*

In parallel to communication about the undeclared market and its dangers, an efficient communication of the PHS system must be provided, in order to ensure that demand and supply will respond to it.

- *Fight social acceptance of the undeclared economy*

As discussed above, the price of declared PHS must not be much higher than the price on the undeclared market. Another complementary way to fight the undeclared market is also to communicate (through awareness campaigns) the illegality of hiring somebody without declaring him/her and the social dangers which that might entail. Communication on the rights and duties of both domestic workers and users of the services is also crucial.

Step 7. Monitoring the policy

- *Instantly put in place a system to assess and monitor the (cost) effectiveness of the measure*

As described in Part 3, assessment and monitoring of the measure is crucial step to defining the best long-term policy. In particular, it must be assessed whether policy objectives have been reached and what the effects of the measure have been. In that regard, policymakers could directly identify the steps necessary to providing such monitoring and assessment. In particular, the following must be identified:

- ▶ Data to be collected and which organisations are responsible for this data collection;
- ▶ All earn-back effects so that a clear view on the net cost of the measure can be obtained;

- *Take into account all earn-back effects in communication about the measure and its assessment*

Public authorities’ should have a clear vision of all the positive earn-back effects and so on so that they have a clear picture of the total cost of the measure (instead of focusing only on its gross cost). Various earn-back effects must be taken into account. Moreover, given that the measure has various broad general effects (employment, and so on), the department/ministry which



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PHS policies - Implementation and Monitoring guide

invests and the department/ministry which receives the benefits may be different. In light of that, it is very important that those benefits are well known and that each department is well aware of them.

Annex 1 – Glossary

Activity rate: the activity rate is calculated as the active population (employed plus unemployed) divided by the working age population.

Accreditation: in the context of this project, accreditation refers to a licence granted by the public authority that allows entities (private companies, etc.) to provide PHS.

Deadweight effects: in the context of this project, these effects are windfall effects or substitution effects. Those effects arise when some beneficiaries of a given measure (e.g. tax deduction) would have purchased PHS anyway (even if they had not received the measure).

Dependency ratio: a measure showing the number of dependents (aged 0-14 and over the age of 65) in the total population (aged 15-64).

Direct settlement system: support for users (designed to reduce prices) that are received in advance or at the time of purchase.

Early childhood education and care (ECEC): provision for children from birth to primary education that falls under a national regulatory framework, i.e., that has to comply with a set of rules, minimum standards and/or undergo accreditation procedures.

Earn-back effects: these are the effects a measure can have in terms of 1) additional cash receipts for the public budget/social security budget and 2) a reduction in expenditure (cost savings).

Employment content: share of labour in total input for producing a good or providing a service.

Equity of a measure: in the context of this project, we refer to the “equity of a measure” as the measurement of the relative (positive) impact that the measure might have on people with different revenues. In particular, one might pay attention that a measure designed to favour access to PHS effectively reaches its goal among members of the population with lower revenues.

Full-time equivalent: as indicated by Eurostat, full-time equivalent is a unit to measure employed persons in a way that makes them comparable although they may work a different number of hours per week. The unit is obtained by comparing an employee's average number of hours worked to the average number of hours of a full-time worker and does not favour individuals with higher revenues.

Indirect employment: this includes the jobs created to manage companies and guide PHS workers. This also includes the potential jobs created in the public sector to organise and manage the system, and so on. The creation of new administrative jobs is, generally speaking, not an aim with PHS measures, but still represents an important employment effect derived from PHS measures.

Import content of a good/service: share of imported content in total input for producing a good or providing a service.

In-kind benefits: support that takes the form of a direct provision of services, which enables users to access services at no cost.

Labour Force Participation: as indicated by the World Bank, the “Labor force participation” rate is the proportion of the population aged 15 and older that is economically active: all people who supply labour for the production of goods and services during a specified period.

Labour market shortages: following the definition provided by Barnow et al. (2013), labour market shortages are “sustained market disequilibrium between supply and demand in which the quantity of workers demanded exceeds the supply available and willing to work at a particular wage and working conditions, at a particular place and point in time”.

Long-term care (LTC): as defined by the OECD brings together a range of services for people who are dependent on help with basic daily living activities over an extended period of time. Such activities include bathing, dressing, eating, getting in and out of bed or a chair, moving around and using the bathroom. These long-term care needs are the result of long-standing chronic conditions that lead to physical or mental disability.

Long-term unemployment: refers to the number of people who are out of work and have been actively seeking employment for at least a year.

Maintenance: maintenance is one of the services included in PHS. It means the administrative and technology assistance provided to households.

Percentage single-parent families: the number of households with children under age 18 headed by a single parent, divided by the total number of households.

Personal and household services (PHS): as stated by the European Commission, PHS are services that cover a broad range of activities that contribute to well-being at the homes of families and individuals: childcare (CC), long-term care (LTC) for the elderly and for persons with disabilities, cleaning, remedial classes, home repairs, gardening, ICT support, and so on.

Price-elasticity: a measurement of the relationship between a change in the quantity demanded of a particular good or service and a change in its price. The higher the price-elasticity, the higher the change in the quantity demanded that would follow a change in the price.

Professionalisation: in the context of this project, the concept of “professionalisation” consists of several possible developments. Firstly, it could consist of targeted initial training and continuing training of employees. Professionalisation also encourages the structuring of the sector, which ensures that greater value is attached to work and that workers are recognised, but it also makes the benefit of purchasing these services on the formal market more obvious for users. Finally, it also consists of facilitating matching between PHS demand and supply.

Positive externalities: positive effects on third parties that are not taken into account by an individual when she/he produces or consumes a good or service.

Share of bi-active households: the number of households where both parents are employed or looking for a job, divided by the total number of households.

Silver economy: the “Silver Economy” can be defined as the economic opportunities arising from public and consumer expenditure related to population ageing and the specific needs of the over 50s.

Socially optimum quantity: defined as the demand that would be optimal, taking into account all positive PHS externalities

Social inclusion: as specified by the European Commission, social inclusion is “a process which ensures that those at risk of poverty and social exclusion gain the opportunities and resources necessary to participate fully in economic, social and cultural life and to enjoy a standard of living and well-being that is considered normal in the society in which they live. It ensures that they have greater participation in decision making which affects their lives and access to their fundamental rights”.

Standards: in the context of this study, “standards” are requirements (in terms of quality/security of the services, and so on) that have to be respected by entities that provide PHS.

Undeclared work: at EU level, undeclared work is defined as “any paid activities that are lawful as regards their nature but not declared to public authorities, taking into account differences in the regulatory system of Member States”.

Unemployment rate: the percentage of the total labour force that is unemployed but actively seeking employment and willing to work.

Work-life balance (WLB): as defined by Eurofound, “work-life balance” is a term used to describe a satisfactory state of equilibrium between an individual’s work and personal life. A good work-life balance is achieved when an individual’s right to a fulfilled life inside and outside paid work is accepted and respected as the norm – to the mutual benefit of the individual, business and society.

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