



Federal Ministry for
Family Affairs, Senior Citizens,
Women and Youth



Bringing household services out of the shadows

Formalising non-care work in and around the house

Berlin / Paris, 7 July 2021

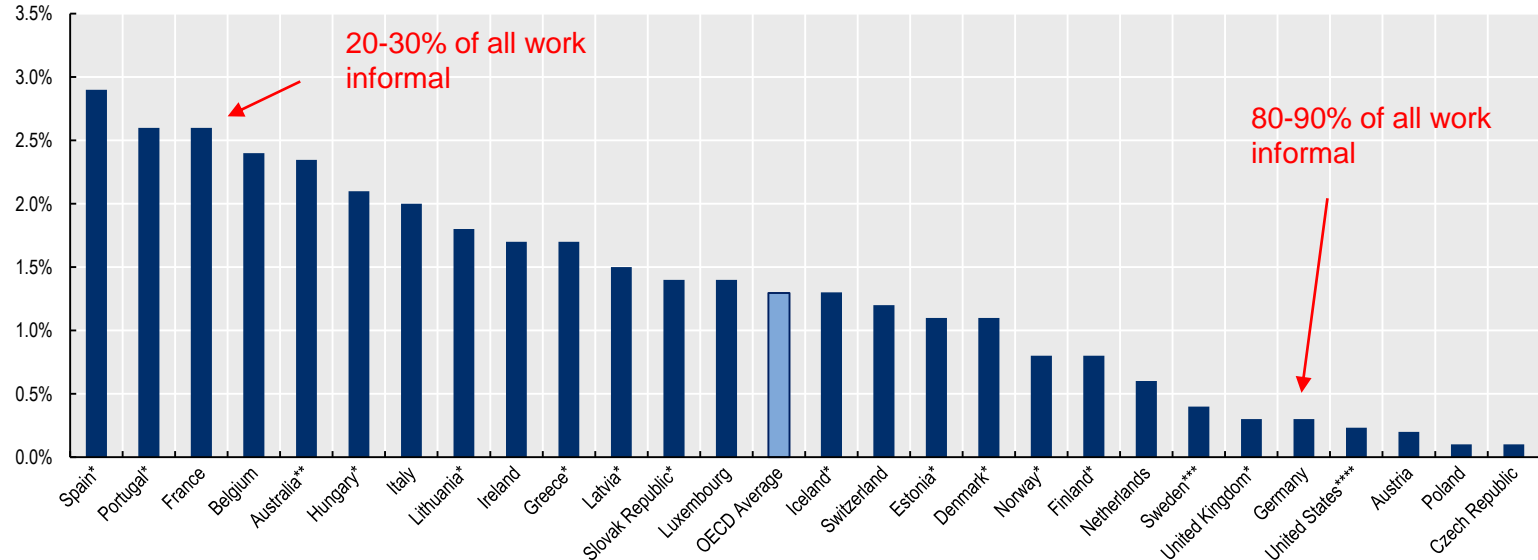
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The non-care household service sector is large, but many work informal

Registered employment in the non-care household service sector

Share of registered “Domestic Cleaners and Helpers” among total registered employment, 2018 or latest available year



Note: See report for more details.

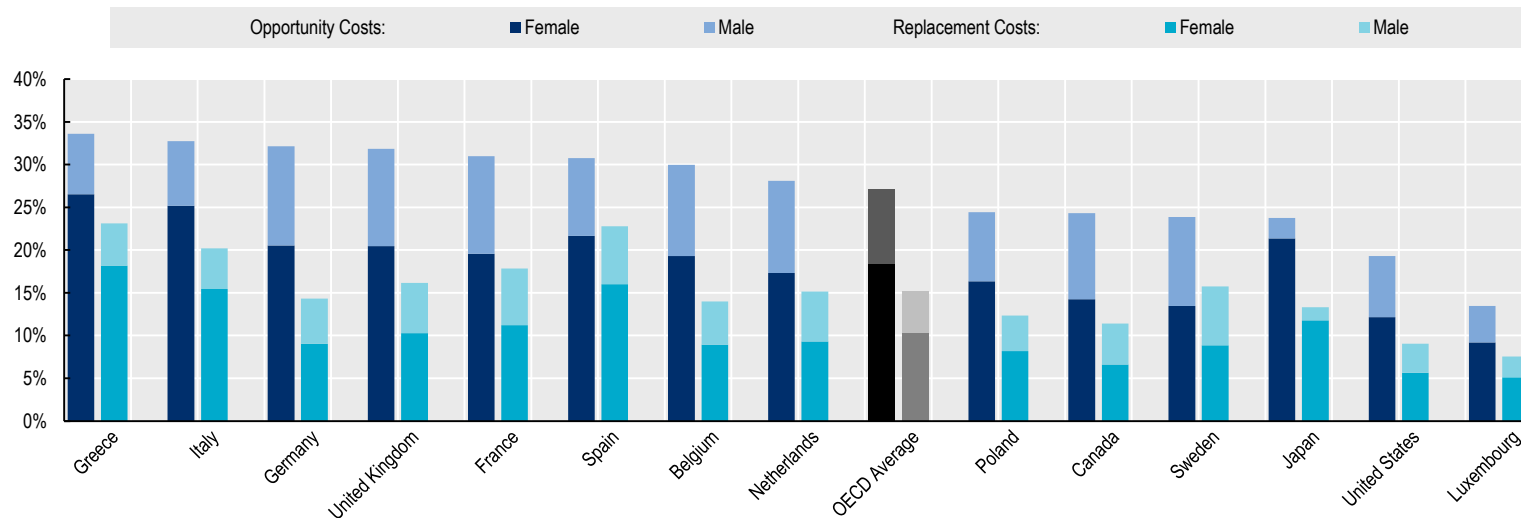
Source: OECD calculations based on data from the European Union Labour Force Survey, the Australian Labour Force Survey, the European Cleaning and Facility Services Industry, the Economic Policy Institute, and Skatteverket.



Non-care housework creates sizeable economic value, mostly contributed by women

The economic contribution of non-care housework

Value of own-account production of unpaid non-care housework activities (% of GDP), 2018



Note: All calculations are based on van de Ven, Zwiijnenburg and De Queljoe (2018) as well as Ahmad and Koh (2011). The *Replacement Cost Approach* constructs a post-tax hourly price for housework activities, based on representative prices for similar activities in the market. The *Opportunity Cost Approach* constructs a post-tax hourly price for housework activities, based on the average hourly net wage paid throughout the whole economy. See report for details.

Source: OECD calculations based on the OECD Time-Use Database, OECD Taxing Wages, the OECD Tax-Benefit Model, OECD National Accounts and OECD PPPs.



Formalisation approaches differ across countries

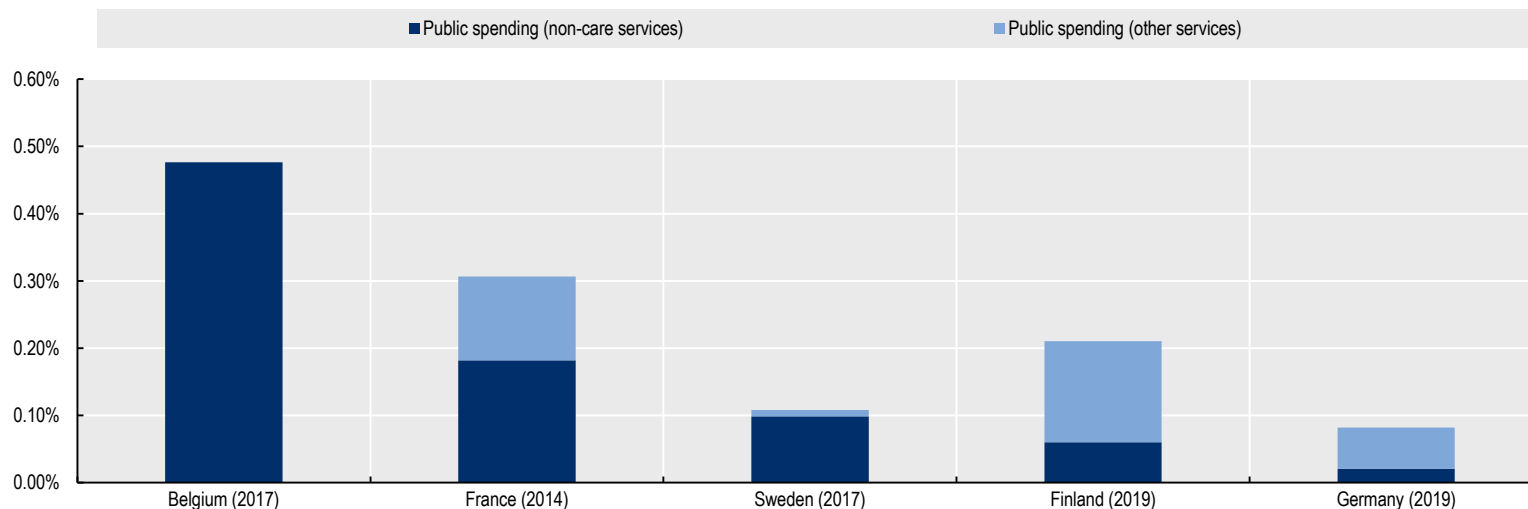
- Tax credits (Finland, France, Sweden, Germany):
 - Reduce net service prices by granting a deduction on annual tax liability relative to the service volume (up to a ceiling)
 - Differ in generosity: Finland (40% or 15%), France (50%), Sweden (50%), Germany (20%)
 - Can be made refundable (France) and granted “at source” (Sweden)
 - Frequent adjustments of tax credit rates and ceilings may confuse consumers
- Social vouchers (Belgium, France):
 - Entitle recipients to specific services to improve their work life balance
 - Can be easily targeted to populations in need (e.g. emitted by local authorities in France)
 - Sold to households (Belgium: 9-10 EUR) or emitted by employers (France)
- Other measures:
 - Declarative systems (France, Germany) simplify direct employment of domestic workers
 - Exemption from employer contributions (France) or income taxation (Germany)
 - VAT reductions (France)



Scope of the instruments contribute to variation in public spending

Public spending on household service policy instruments

Total public spending on major household service policy instruments as a share of GDP, non-care and other services, latest year available



Note: For Sweden and Finland, non-care expenditure is based on back-of-the-envelope calculations using the share of non-care activities and representative service prices. See report for more details.

Source: Lebrun and Fourma (2016); OECD calculations based on Vlaamse DWSE (2020), IDEA Consult (2020), Cour des comptes de Belgique (2018), Parlement de Wallonie (2019), Riksrevisionen (2020), Verohallinto (2021) and Bundesministerium der Finanzen (2019).



Household service policies can improve working conditions for domestic workers

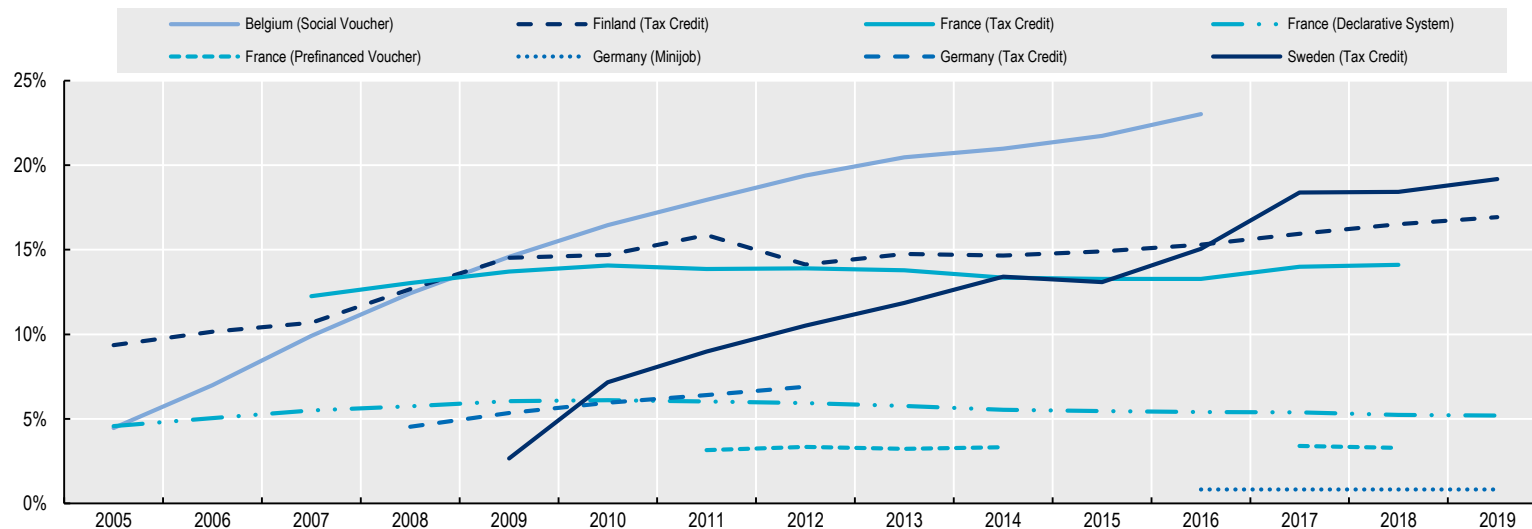
- Differences in working conditions across work arrangements
 - Intermediary service providers: Full social security coverage and collective bargaining as well as better health and safety provisions
 - Households as employers: Potentially unaware of their status as legal employer and service workers often partially exempt from social security coverage
- Design features of tax credits or social vouchers can influence working conditions
 - Sweden and Belgium limit their systems to intermediary service providers, Finland grants higher tax credit for intermediary employment vis-à-vis direct employment
 - In France and Germany encouragement of direct domestic employment through declarative systems (*CESU déclaratif*, *Haushaltscheck*)



Large shares of the population use policy-supported household services

Consumers of household service policies

Share of private households consuming household services with specific policy incentives, all eligible services



Note: See report for more details.

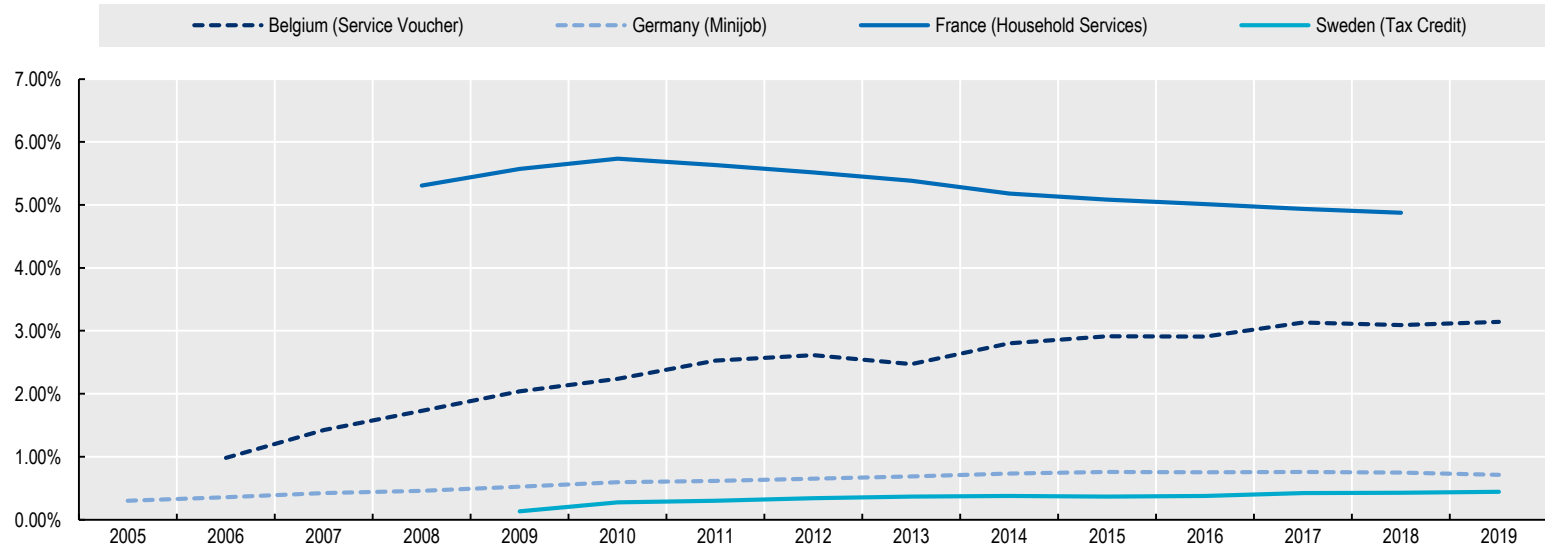
Source: OECD calculations based on Eurostat Household Data and Skatteverket (Sweden), Bundesrechnungshof (Germany), Minijob-Zentrale (Germany), IDEA Consult (Belgium), Suomen virallinen tilasto (Finland), Verohallinto (Finland), Direction Générale des Finances Publique (France), ACOSS (France), Direction Générale des Entreprises (France), Association Professionnelle des Emetteurs de CESU (France).



Policy instruments have contributed to the development of a sizeable workforce

Employment related to household service policy instruments

Share of employees associated with specific household service policy instruments among total employed work force



Note: See report for more details.

Source: OECD calculations based on Skatteverket (2021), ONSS/RSZ (2020; 2016), DARES (2020), Minijob-Zentrale (2020), Enste (2017).



Noticeable shifts from informality to formal employment

- Household service policies linked to clear reductions in informality
 - Strongest in countries with generous fiscal support (e.g. France and Sweden),
 - Less generous systems, like in Germany, generate no noticeable shifts to declared employment
- Social vouchers and tax credits have led to sizeable employment in and outside of the non-care household service sector
 - Low-skilled and unemployed workers, predominantly women, face increased employment opportunities
 - Higher-skilled women are able to increase their labour force participation
 - Also very attractive to EU labour migration, with the risk of crowding out vulnerable workers (e.g. refugees)
- Notwithstanding the high costs, social vouchers and tax credits generate sizeable earn-back effects through reduced spending on unemployment benefits and increased public revenue



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