

ECONOMIC AND SOCIAL POTENTIAL OF FAMILY-SUPPORTING SERVICES, LIMITS AND CHALLENGES

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Abstract

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Due to the increase of the economic pressure on households, it is increasingly more difficult to balance family life and economic activity. Reasons for this evolution can be the increased labour market participation of women, the ageing of the population to name a few. Within the EU, different systems to offer assistance in creating a balanced social and economically active life have been established in numerous countries. However, the aims, results and general scope of these national policies differ. The main focus of this paper will be the Belgian situation, i.e. the voucher system (services cheques). Starting with a general view of the reasons of existence of family-support services, followed by the different support services policies offered in various European countries, the Belgian situation will be discussed.

The voucher system in Belgium has encountered an explosive boom which brings unexpected results and side effects. These affect the country's social economical system. The paper discusses the evolution of the system. What are the reasons for the unexpected success? What are the economic and social consequences for a modern active welfare state, can growth be limitless? The paper will attempt to provide answers on these questions raised.

Keywords: domestic services, vouchers, tax credit, care

INTRODUCTION

Europe is experiencing turbulent times. The ageing of the population, increasing unemployment and the higher tension of work-family balance of the employed are issues that governments need to address to maintain a high level of satisfaction of life.

Work status is a major factor. It is obvious that every government wants to achieve as much employment as possible. One reason being the welfare of the state. Another point however, is that employed European citizens enjoy a higher satisfaction of life compared to unemployed citizens. This only is a fact when work-family tension is not too strong (Kotowska, Matysiak, & Styr, 2010). When the tension reaches a critical level, the satisfaction of life drops dramatically.

One of the reasons of a shift in the work-life balance is the increased labour market participation of women. Gender equality in the labour market has

known a positive evolution in the European Union (EU). The female employment rate has reached > 62% in 2011 (Eurostat, 2013). While, ofcourse, this is a positive evolution, the stress on family life increases. Less time is available for family life in general thus the growing need of outsourcing all kinds of domestic tasks. In the past, this outsourcing was met by persons offering undeclared services.

Another factor for the increased tension is the ageing of the population. This gradual process can be ascribed to the medical progress on the one hand and on the other to the drop of birth rate in most European countries. Eurostat predicts mention a total number of 50 million citizens aged over 80 by the year 2050, compared to 18 million in 2004. Because of the decrease of economically active persons in relation to the increase of inactive elderly persons, the public budget is affected by the inability to fully fund every kind of elder care. The result is that elderly people are depending more

and more on care supplied by family members, which in turn imposes another stress factor on the work-family balance.

To offer relief, different European countries have established a form of family-supporting services. Different types of public funding are used to facilitate the use of official employment to assist in the family, family-supporting services or domestic services. As these reforms have become more popular and are used in a long range of social problems, the need grows to look at the different types of family-supporting services. The socio-economic implications need to be evaluated. These are two-fold. On the one hand, there are immediate implications on labour markets. On the other hand, there is a change in organising care.

The ambition of this article is to inform about the different types of family-supporting services offered in different countries. After which the Belgian situation is examined more into detail.

MATERIAL AND METHODS

This paper is based on research in already published papers concerning domestic service reforms. The starting point is the evaluation papers made by Idea Consult and PWC on the service cheques in Belgium.

This paper will also feature as output of the Erasmus Intensive Programme COSRE 2013 and 2014, coordinated by Mendel University.

RESULTS

Two Distinct Types of Family-supporting Services

When examining the different countries which offer family-supporting services, two distinct types can be identified. One model is the tax credit model. In countries using this model, a private person is eligible for a tax credit for part of the labour cost made for family-supporting services within the household. Scandinavian countries use this model. Another model is a voucher (service cheque) model introduced by countries such as France, Belgium and Germany. The benefits of a voucher model are the ease of use. It simplifies the manner of effectively employing a family-supporting worker in a private household. These two models are not exclusive. In Belgium, France and Germany, it is also possible to receive a tax credit for these services rendered.

The Tax Credit Model

The first country to introduce the tax credit model as a means to reform the family-supporting services, was Denmark. In 1994 the system the home service scheme (*Hjemmeserviceordningen*) was introduced to become permanent in 1996. In 2004 the law on the benefits was restricted to households of which at least one person is a pensioner

or receiving early retirement benefits. It is possible to receive 40% of the price for general cleaning. The primary objectives are to reduce domestic activities of household members, provide better employment for people with a lower education grade and to give more welfare to families with children and elderly persons in addition to creating new jobs (Pedersen, 2008).

Finland has introduced a means of tax deductible domestic work in 1997. The tax credit is not restricted to domestic services within the taxpayer's household. Domestic services offered within elder relatives homes are applicable as well, elder relatives such as parents, parents-in-law, foster parents or other elder members of the family. The main reason to not constrict the scope to one's own household is to promote elder care using the tax credit system. Childcare however is not included.

Sweden introduced this system in 2007. According to the act, a person can obtain a tax credit up to 50% of the labour cost, up to a limit. The work has to be done in or close to the household or in an elderly relative's home. The service worker is employed through a registered company. Main objectives in Sweden are to enable households to buy services, to stimulate growth of new service companies and to reduce unofficial work in the domestic sector. Another objective formed is to improve gender equality in the labour market. A tax credit would provide the means for women to find a job in the labour market, improving their social position and selfsufficiency.

Voucher Model

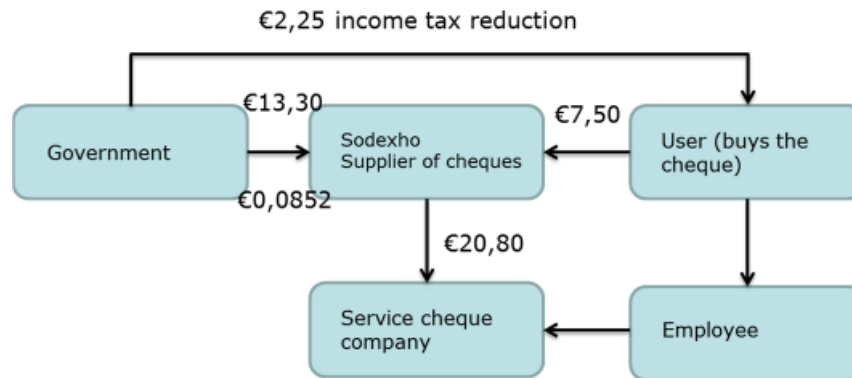
France opted to install a voucher model for domestic services. It has the most far-reaching policies within the European Union (EU) on encouraging growth in the domestic services sector (Windebank, 2007). The *chèque emploi service universel* (CESU) was launched in 1996. Services include domestic work, assistance for elders and disabled persons, childcare, schoolwork assistance, small household repairs, gardening, assistance with administrative formalities, computer repairs, beautician services for dependent persons and care and walking of pets. A buyer of a voucher is entitled to 50% tax credit up to a limit depending on household income. Furthermore, there is a reduction in employers' social security contribution. A voucher can be used to pay for domestic services supplied by an official company or body, or to employ someone directly.

Belgium introduced the voucher system in 2001. The Belgian situation will be discussed into detail later on.

The German government introduced different models to encourage the employment of formal domestic workers. In 1990 a tax deduction method was introduced for household with children, elders or others in need of care. During 1997 this was extended to all households. Simultaneous a service voucher method was started.

I: Domestic services in different European countries

Country	Start	Objectives	Type	Service provider
Denmark	1994	Job growth, job creation and reduce unofficial work	Tax credit	Company
Finland	1997	Job growth, reduce unofficial work	Tax credit	Company
Sweden	2007	Job growth, reduce unofficial work, gender equality	Tax credit	Company
France	1996	Job growth, reduce unofficial work	Voucher, Tax credit	Company, individual
Belgium	2001	Job growth, job creation and reduce unofficial work	Voucher, Tax credit	Company
Germany	1990	Job growth, reduce unofficial work	Voucher, Tax credit	Individual



1: Schematic view on the relationship between different parties

Tab. I illustrates the variation of reforms in the different countries. The common cause can be found in the growth of the domestic services sector.

Service Cheques, the Belgian Case

On the initiative of the Belgian Federal Government the *dienstencheques* were introduced as a means to develop neighbourhood services. The main objectives are threefold: (1) to fulfil the need of a household to assist in a number of domestic services, in an easy administrative fashion and at a price that is competitive with the undeclared labour circuit, (2) to create normal jobs in which low educated persons do the work used to be done by persons in the undeclared labour circuit and (3) to fight the undeclared labour circuit in the domestic services sector.

The legislation states that *dienstencheques* are a form of payment, issued by a company (until the end of 2006 this company was Accor Services, from 1 January 2007 it is Sodexho), which enables the user to pay for neighbourhood work or services provided by an approved company. The *dienstencheques* may be used for domestic work carried out within the user's home. Tasks include: cleaning the house, including washing the windows, doing the laundry and ironing, cooking and sewing. Tasks outside the user's home are also part of the system. Outside tasks can be: doing groceries, ironing in an ironing atelier, providing assistance with the transportation of persons under specific conditions. Before the introduction of the service cheques, domestic work was provided by local employment agencies (PWA) but on a different scale and scope. A PWA is organised by the municipality, funded by the Federal

Government. It allows longterm unemployed people to perform tasks and activities that are not offered in the regular economic circuit due to their nature. One part of these tasks concern domestic aid. Since the launch of the service cheque system (2004) these PWA have been transformed to service cheque companies. Currently 236 out of 560 PWA have made the transition.

The service cheque system in practice is a five party relationship: the issuing company, the user, the employer, the worker and the Federal State. Fig. 1 shows the interaction between the different parties.

A user first needs to register, free of charge, and buys vouchers from Sodexho. Then the user contacts an approved company to state the nature and duration of the work to be performed. An employee of the service cheque company performs the work and receives one service cheque per hour. The employee then delivers that cheque back to the service cheque company. Once the company returns the cheque to Sodexho, a payment for the cheque is made.

Looking at the flow of money, the user pays € 7.50 per cheque (€ 8.50 starting 1 January 2013). In return the user can receive an income tax reduction of € 2.25. The service cheque company receives € 20.80 per cheque (or, per hour) from Sodexho which in turn receives € 13.30 (€ 12.30 as per 1 January 2013) from the Federal Government which co-finances the service cheque. Sodexho also receives € 0.0852 per cheque to cover the cost of issuing the cheque to the user and to act as a go-between towards the service cheque company.

Employees are bound by a formal labour contract with the service cheque company. It is a standard

contract of employment, either fixed-term or open ended, full- or part-time. These contracts are compatible with all other forms of employment subsidies and activation programmes. This is one of the aims of the service cheque system. On the other hand, an employee needs to pay social security like any other active person.

Service Cheques, Statistical Data (Gerard, Neyens & Valsamis, 2012)

When looking at the evolution of the service cheque system in Tab. II, one can only state that all factors have known a very big rise in popularity.

The service cheque system has been a great success. Looking at the total number of employees in 2011 (149.827), job creation is a profound factor. The growth of active approved companies using service cheques to offer domestic services and the users (customers) have been exponential as well. A new service market is created on a very short time span.

Providers of services, the approved active companies, can be divided into different types of companies. Fig. 3 shows the evolution of the proportional share of each type.

There has been a significant change in composition of types of service companies. While at the start of the system, municipalities and PWA

agencies formed the largest group, this has evolved towards more private initiatives. The continuous raise in demand has definitely acted as a motivation for private enterprises to become actively involved. The share of PWA and communities has dropped, not in nominal numbers but in percentage share. This again because of the large growth of the whole system. Insertion companies cannot apply anymore in Flanders to be approved as a service cheque company. Their share will gradually diminish over the next years.

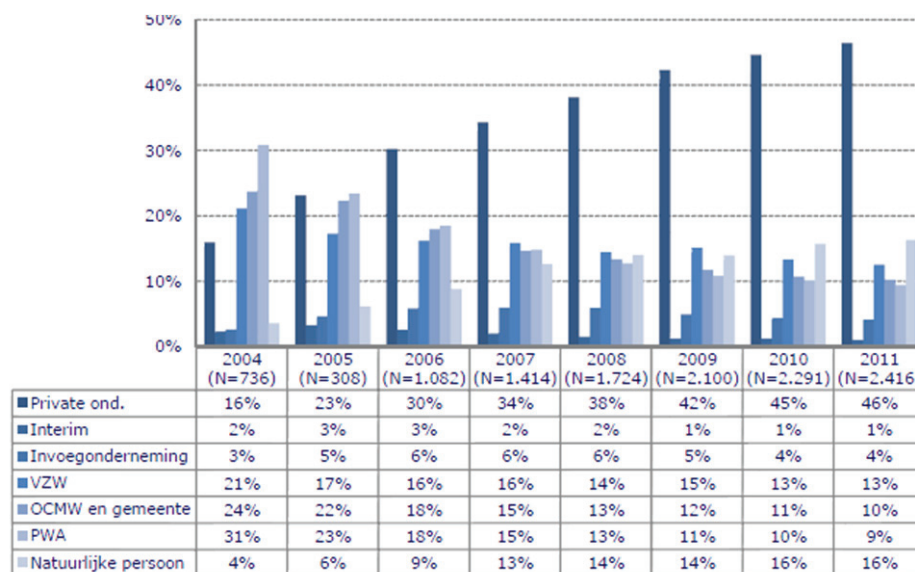
As for employees of the service cheque companies, Tab. III shows the different shares of employees' profiles, gender, age, education level and nationality.

Important deductions can be made. (1) The majority of employees are female. (2) When considering the age of employees, more than 60% are aged between 30 and 50. However, almost one in five is aged above 50. In Flanders this share is even higher (20.8%). (3) Data show that on average almost six out of ten employees have a low level of education. (4) Concerning nationality, a bit shy of three out of four employees have Belgian nationality. An important note to make is that in the region of Brussels these shares differ from the national average. Brussels has a share of 55% EU-27 nationality (excluding Belgian citizens) and 22% non EU-27. The main reason being

II: Evolution of the system of service cheques in Belgium

Country	2004	2005	2006	2007	2008	2009	2010	2011
Active approved companies	504	840	1 163	1 504	1 892	2 292	2 576	2 708
Employees during the year			61 759	87 152	103 437	120 324	136 915	149 827
Active users	98 814	190 734	316 101	449 626	557 482	665 884	760 702	834 959
Reembursed cheques (milj)	5.62	17.2	32.1	48.9	65.2	78.6	94.8	105.3
Purchased cheques (milj)	8.11	20.3	35.9	53.1	73.6	78.2	97.1	109.1

Source: Idea Consult (Gerard, Neyens & Valsamis, 2012)

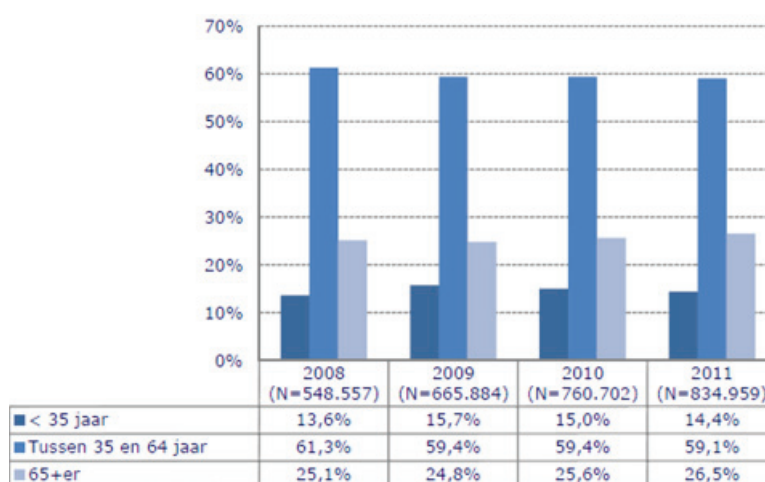


2: Evolution of the proportional share of types of service companies

III: *Share of service cheque employees' profiles*

Total (N = 149 827)		
Gender	Male	3.0%
	Female	97.0%
Age	< 30	21.7%
	30 – 39	29.2%
	40 – 49	30.3%
	> 50	18.9%
Education level	Low ¹	56.1%
	Medium ²	39.2%
	High ³	4.7%
Nationality	Belgium	73.4%
	EU-27 (excluding Belgium)	18.6%
	Non EU-27	8.0%

Source: Idea Consult (Gerard, Neyens & Valsamis, 2012)



3: *Evolution of the proportion of active users between 2008 and 2011*

the fact Brussels population is much more diverse compared to Flanders and Wallonia.

Looking at the data concerning the evolution of active users through age (Fig. 2), there is a rise of the percentage of users over the age of 65.

The general evolution of the service cheque system is steady growth of all parties involved. The success is bigger than initially intended. It is expected to follow through on this upward trend. To be able to maintain the system, it is of importance to look at the public cost. There is co-financing of the Federal Government, and in times of economic crisis budgets are limited. The gross cost for the public budget in 2010 was (1) the co-financing: 1041.9 million euro (2) support costs to effectively execute the system: 11.1 million euro and (3) cost of the tax deduction users can apply for: 159.2 million euro (Devisscher, Gerard, Valsamis,

& Pelt, 2010). These are the gross costs. There is an earn-back effect that needs to be examined.

Tab. IV shows the direct earn-back effects the public budget encounters.

The indirect earn-back effect (Tab. V), which hasn't been taken into account previous years, shows a better result. This has affected the political discussion on the service cheque system as a whole.

DISCUSSION OF THE BELGIAN CASE

The service cheque system is a success. It has grown exponentially from the start. The aims of the system have been met. The first objective of the system is to provide an easy-to-use manner of assisting in domestic tasks competitive with the undeclared labour circuit. The number of people actually using a service cheque (> 800 000 users in 2011,

1 Low level education: maximum lower secondary level
 2 Medium level education: maximum higher secondary level
 3 High level education: Bachelor and/or master degree and higher

IV: *Direct earn-back effect of the service cheque system*

In million euro	Expenses	Earn-back	%
Federal budget for the service cheque system	1 041.9		
Support cost for the implementation	11.1		
Cost of income tax deduction	159.2		
Total cost	1 212.3		
Less unemployment benefits through direct job creation		313.6	
Cost of job activation allowances		-53.2	
Cost of guaranteed income benefits		-40.3	
Cost of temporary unemployment benefits for service cheque employees		-10.6	
Social security contributions received through direct job creation minus applied deductions		192.7	
Wage withholding tax received		79.2	
Total net direct earn-back effect		481.4	39.7%

Source: Idea Consult (Devisscher, Gerard, Valsamis, & Pelt, 2010)

V: *Direct and indirect earn-back effect of the service cheque system*

In million euro	Expenses	Earn-back	%
Federal budget for the service cheque system	1 041.9		
Support cost for the implementation	11.1		
Cost of income tax deduction	159.2		
Total cost	1 212.3		
Total net direct earn-back effect		481.4	39.7%
Effect due to labour market substitution		75.3	
Social security contributions of support functions		47.5	
VAT on operational cost for support functions		7.6	
Other taxes and duties		1.1	
Corporate tax on the activities of the private service cheque organisations		12.8	
Effect generated through the employment of employees in the former jobs of service cheque employees		22.3	
Received income tax through direct job creation of the support function		23.0	
Cost of monitoring the service cheque system		-1.0	
Recovery of wages of PWA coordinators		5.3	
Effect generated by the emittent of service vouchers		2.1	
Total net indirect and direct earn-back effect		677.6	55.9%

Source: Federgon (Federgon & PriceWaterhouseCoopers, 2010)

Tab. II) shows that this aim has been reached. The evolution is upwards, and is expected to keep on evolving in a positive manner. The introduction of an electronic system of vouchers (2006) has had a positive influence on the ease-of-use of the system as a whole.

The second aim of the system is to create normal jobs for low educated persons. Creation of jobs is definitely a big factor in the success of the system. Initially it was stipulated that creation of 25.000 jobs would be a success. The data from 2011 show a total job count of almost 150.000. The total numbers are immense. And Tab. III shows that the majority of employees working in the system are of low level education. This shows that this objective has been met. The profile shares do show another significant number, the gender of employees. 97% of service

cheque employees are female. This was expected when looking at the services offered in a user's home. Most of them (ironing, cleaning, cooking, ...) are tasks women fulfilled in the household. The shift from doing these tasks in the household to performing them in a labour market situation is an easy step to make. A direct consequence is that a lot of inactive persons have been activated and are participating in the labour market.

The challenge for the future is to work towards a better balance gender wise as to the profile of a service cheque employee. Due to the globalisation production plants are moving out of Belgium. This leads to more low level educated males without jobs. The service cheque system could offer a means of creating opportunities for these unemployed men. Belgian society could

benefit from a higher influx of these profiles into the service cheque labour market.

Combatting the undeclared labour circuit in the domestic services sector, the third objective, is something that cannot be objectively evaluated. There are no data available as to the extent of the undeclared circuit. The big success and the huge numbers of users, companies and employees point towards a success in this field. Claiming that this objective isn't met, can't be stated, on the contrary the opposite is true. Looking at the evolution of private enterprises becoming part of the system shows that the *Dienstencheques* are in fact a factor in the official labour market. The number of employees with a regular labour contract (almost 150 000 in 2011) demonstrates the fact that the system as a whole has formed a new legitimate labour market as a whole.

During the last couple of years, the *Dienstencheques* have been a constant subject of political debate. The most important factor feeding these discussions has been the total cost of the system. At the start, the immense success wasn't taken into account. The Federal Government experiences much more costs through co-financing the system and providing the opportunity for users to make use of tax deductions. It is a given that the system uses public funding. And the amount of funding has been greater than expected. Recent studies have shown a total gross cost exceeding 1 200 million euro. The PriceWaterhouseCooper study, ordered in 2010 shows a much more detailed view. Because of the fact most employees are new to the labour market and a lot of private companies have been started to name a few, the net cost comes down to approximately 677 million euro. The total earn-back effect is 55.9%. Looking at the number

of users, employees and companies making use of and working in the system, the debate should not be the cost being too high. The question that is to be raised is: "Is the system too big to fail?". Imagine the system not being supported anymore. Almost 150 000 employees would end up jobless. Close to 3 000 companies would end their economic activities. And more than 800 000 users have to change their day-to-day life, most probably going back to the undeclared labour circuit.

Another subject to debate is the increase in number of users older than 65. In principle the aim of the service cheque system is to offer a means to be able to balance the work-life tension of families. The elderly are not a specific targeting group for the system. The companies offering services and the system itself are not prepared in full to offer such services. The recent public policy and the opinion of society in general are to not focus on personal care. However, the growing demand for this care through the use of service cheques is growing. This raises questions as to how the service cheques sector is competing with regular care work. Social care workers have different wage scales directly linked to different levels of education, and different competences used in the job. When a service cheque employee is moving towards the territory of social care (which isn't included in the scope of the legislation), elder care for instance, the playing field isn't level. A term as 'subsidized unfair competition' has been mentioned. A shift in focus towards care is becoming a legitimate claim (Pacolet, De Wispelaere, & A, 2011). Objective study in this area is needed to accurately inform policy makers on this issue.

SUMMARY

The aim of this paper is to provide an overview of the two types of reform in the domestic services sector in Europe. Ageing of the population, increased tension on the work-life balance have been reasons to promote the reform of domestic services. Scandinavian countries (Denmark, Finland and Sweden) introduced a tax reduction system to accommodate households in their quest for easy to employ and affordable domestic aid. Following the Belgian case is looked into. The service cheque (voucher) system in Belgium has been launched in 2004. The main objectives are threefold: (1) to fulfil the need of a household to assist in a number of domestic services, in an easy administrative fashion and at a price that is competitive with the undeclared labour circuit, (2) to create normal jobs in which low educated persons do the work used to be done by persons in the undeclared labour circuit and (3) to fight the undeclared labour circuit in the domestic services sector. These have been met. Since launching the system, growth has been exponential. This was not anticipated at the start of the system. New questions are raised as to how the evolution will be in the future. The main issues being the total cost of the system and the call for an adjustment towards social care (which isn't included at this time).

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