

Survey report:

Market for personal and household services [(Markt voor persoonlijke dienstverlening in internationaal perspectief : varianten en denkrichtingen, 2020/06)]

Approaches to developing a market for personal and household services

(Concluding chapter 5 of the survey)

1. Introduction

The previous chapter described the development of markets for personal and household services in several different countries (France and parts of Scandinavia). It considered the policy options available in those countries for developing the market for personal and household services, the associated objectives and the effects.

This chapter returns to the market for personal and household services in the Netherlands. It asks what we can learn from examples abroad and how we can adapt these examples to the Dutch situation. In doing so, this chapter explores promising and alternative approaches to the development and structuring of the market. It should be noted that this is merely an initial exploration. It will be especially important to examine in detail the effects of these approaches and to perform a cost-benefit analysis.

The Committee would like to see more detailed studies of the various options for developing this market. At the same time, however, it regards the market for personal and household services as a significant employment issue that merits our attention. The Committee would therefore ask the Dutch Government to elaborate the approaches outlined in this study and to incorporate them in any more detailed scenarios focusing on childcare facilities and work/life balance.

Structure

Section 2 briefly describes the importance of developing the market for personal and household services in the context of significant gender inequalities in the labour market and the predominance of part-time employment. Section 3 summarises the most important findings drawn from the examples of other countries. Section 4 adapts these findings to the Dutch situation. Section 5 elaborates on a number of potential approaches to developing this market. Section 6 briefly discusses potential (theoretical) effects and the consequences for the national budget. It also surveys the various effects of the different approaches based on our review of the international and Dutch literature. This description is mainly qualitative in nature and draws on previous research. Finally, section 7 points to the need for an integrated approach to promoting employment and gender equality.

2. The importance of developing the market for PHS in the context of part-time work and gender equality

Our survey of the development of markets for personal and household services in neighbouring countries reveals three key objectives: to increase the female employment rate, to improve the work-life balance, and to reduce gender inequalities in the labour market. To date, these objectives have received less attention in the Netherlands in this context. Instead, the discussion here has focused primarily on job creation at the lower end of the labour market and the promotion and formalisation of employment.

It is the Committee's view that the Netherlands should also consider the development of this market in the context of significant gender-related labour market inequalities. The Netherlands has the lowest score in Western Europe on four indicators of gender inequality: number of working hours, average monthly income, representation in management positions

and students in STEM study programmes.¹ There is a large potential female labour force, but it is not being fully used.

In its advisory report *Een werkende combinatie* (Combining work, study and care in the future), the Council already drew attention to the predominance of part-time employment in the Netherlands and the 'part-time predicament'. Part-time work offers advantages in that it allows households to combine leisure, work, childcare and learning. In reality, however, men's and women's part-time employment rates are extremely skewed. The large number of low-hour part-time jobs and the high proportion of women working part-time means that there is a large potential female labour force that remains underutilised. This is especially striking given the high level of gender equality in Dutch education: 56 percent of all recent graduates of higher professional and academic educational programmes are women. Their success in education contrasts sharply with their labour market status.² Women who work part time also tend to be less economically independent and accumulate less pension entitlement, making them more financially vulnerable should they divorce.

The market for personal and household services will certainly not be a panacea for all the above issues. There is no 'silver bullet' for this complex, systemic problem. What it requires is an integrated approach that addresses multiple dimensions simultaneously. Nevertheless, the Committee recommends examining whether – in addition to more traditional and familiar instruments such as flexible working hours, leave and childcare services – the market for personal and household services could play a role in boosting women's employment, improving the work-life balance, and reducing gender inequalities. Outsourcing certain chores and activities can help to encourage employment without creating a work/life imbalance. Those who deliver personal and household services often do so by working several low-hour part-time jobs. They too can benefit from a higher employment rate and greater economic independence. Measures aimed at developing the market will also have another important consequence: they will, in the long run, bring about a change in attitudes and culture with regard to both outsourcing and informal work. Informal work will become less acceptable and outsourcing of certain household chores may become more routine.

Another development that the Committee deems worthy of attention is that demographic and societal changes are likely to fuel a rise in the demand for personal and household services. One compelling example is that the population of individuals over the age of 75 are now living independently for longer. At the same time, the retirement age for the group who provide the bulk of informal care (most of whom are over the age of 50) has been raised and part-time employees are expected to work longer hours. The demand for informal care is therefore increasing, while the supply will come under increasing pressure. A well-functioning market for PHS can convert labour-intensive activities (which now often remain undone) into sustainable jobs. That will alleviate the problems on the lower end of the labour market, and may also reduce the number of people who depend on social benefits. Measures supporting the development of a market for PHS are consistent with the pursuit of an inclusive society and can help to reduce disparities and inequalities and create equal opportunities by allowing each person to develop to their full potential.

3. What the international case studies reveal

The market for household services has a number of distinctive features. Unlike the rest of the labour market, the employer is a private individual and the work is done in and around that individual's home. That work furthermore consists of chores and odd jobs that such private individuals could (almost) as easily do themselves. In addition, it is relatively expensive for private individuals to purchase services in the formal economy (because of the double tax wedge).

¹ See also: McKinsey (2018) *The power of parity. Het potentieel pakken: de waarde van meer gelijkheid tussen mannen en vrouwen op de Nederlandse arbeidsmarkt.*

² See also the Council's recent advisory report on gender and cultural diversity at the top of the business world, which concludes that the Netherlands falls short in European comparisons when it comes to the number of women in management positions and that the proportion of women in top positions is only increasing at a snail's pace. SER (2019) *Diversiteit in de top. Tijd voor versnelling.*

The governments in the various countries are all struggling with these distinctive features and are consequently pursuing specific policies on that score. Our international survey has shown that the various countries have introduced a broad package of government measures on both the supply and the demand side. Their policies focus on reducing costs (tackling the double tax wedge) while simultaneously improving the quality of jobs (formalisation of informal work, accrual of social security and pension benefits, and professionalisation).

Unlike in the Netherlands, all the systems in neighbouring countries are based on government intervention by means of direct or indirect subsidisation. There are two versions of this policy. The first consists of limited intervention on the demand side (the only incentive being a tax deduction) and the second of more far-reaching intervention in the market, e.g. through a services voucher, which is then used as a means of imposing rules on supply, demand, pricing and intermediaries. The Committee has examined the tax schemes in France and Scandinavia with great interest. The Belgian system of service vouchers is deemed less promising because it has led to a sharp increase in public spending and strict price regulation.

Based on what other countries have experienced, the Netherlands should also consider the following points:

1. Circumscription:

Many countries opt to circumscribe the PHS market by identifying the specific activities that fall within it (for example, cleaning, laundry, IT support, odd jobs in and around the house, etc.). Extending the activities to be covered under a new scheme (garden maintenance, specialist odd jobs) increases the likelihood of regular work being displaced.

2. Enforcement:

In those countries where employees in this market have access to social entitlements, hours worked are recorded and monitored.

3. Role of intermediaries and securing a level playing field:

The French case study reveals that, in addition to existing labour market patterns (the traditional employer-employee relationship), another structure has been allowed to emerge in which the relationship is one between client and contractor. There are advantages and disadvantages to this 'mixed model'. On the one hand, it promotes competition and makes it possible to deploy a broad diversity of service providers, from employees to own-account workers and other firms. On the other hand, human resource development, training and professionalisation appear to be better facilitated in what is known as a 'provider organisation model'.

4. Pilots and subsidiary markets:

Finally, as the international examples show, it is advisable to test-run new schemes by undertaking one or more pilots at local or regional level before proceeding with a national roll-out. At the same time, the process of developing the market for personal and household services could, for example, focus in the first instance on developing a specific subsidiary market, such as in-home household services, for example cleaning or assisting informal caregivers who make it possible for the elderly or disabled to continue living independently. In the medium to long term, other subsidiary markets that help to lessen the burden on households, for example certain maintenance jobs in and around the home or meal delivery services, could also be covered by the amended scheme, although it is important to avoid displacement by disrupting existing subsidiary markets.

4. Significance for the Dutch market for personal and household services

The role of government in this market is relatively small in the Netherlands. In addition, a large proportion of the customers and service providers are unfamiliar with the applicable laws and regulations, and compliance and enforcement of the scheme is not universal.³ Unlike other countries, the Netherlands has yet to properly resolve the issue of the double tax wedge.

That double tax wedge means that few households are willing or able to pay a service provider an appropriate gross fee (with corresponding social security entitlements) from their net income. In reality, the Home Services Scheme (*Regeling dienstverlening aan huis*; a net-net scheme) reduces the employer's payroll costs by lowering employee social security entitlements. However, in the Committee's view, it does not adequately resolve the problem of the double tax wedge.

In its advisory report *Een werkende combinatie*, the Council also endorses efforts to promote Decent Work⁴ and inclusion.⁵ It recommends developing the market for personal and household services within the Decent Work framework. A number of dimensions can be discerned in examining the possibility of sustainable employment in the market for private and public personal and household services. Relevant among these are pricing, social security, terms and conditions of employment, the employment relationship and the financing arrangements.

5. Elaborate approaches to the development of the private market for personal and household services

Broadly speaking, the following approaches can be identified based on the dimensions listed above:

- a. Reduce the costs for the client/employer and improve the social security status of the contractor/employee by, for example, introducing a tax deduction.
- b. Improve social security, for example by amending the rules stipulating which individuals are covered under employee insurance schemes.
- c. Improve the quality and transparency of the market. Important goals here are to professionalise the work itself, to develop human resources and to promote innovation and technological advances.

These approaches can serve various objectives:

- By reducing costs, to expand the formal market for domestic work (or reduce the informal sector) and boost the employment rate on both the demand and the supply side (as well as lessen gender inequalities).
- To improve the social security status of domestic workers employed under the Home Services Scheme. This means an improved status under the Sickness Benefits Act ('safety net' insurance) and unemployment and occupational disability benefit schemes.

Reduce costs and improve social security status: explanation

In this approach, the costs associated with household services are made tax deductible, for example. Because a payroll tax return is filed identifying the person who performs the work, that person is also obliged to file a tax return. The most important incentive on the demand side is the tax deduction. How significant that incentive is depends on the household's

³ Commissie Dienstverlening aan huis (2014) *Dienstverlening aan huis: Wie betaalt de rekening?* p. 28; Panteia (2014) *De markt voor dienstverlening aan huis: onderzoek naar vraag- en aanbodzijde*.

⁴ Decent work is work that is productive, generates a fair income and guarantees safety in the workplace. Decent work offers social protection, prospects for personal development, social integration, freedom for people to voice their interests, organise themselves and participate in decisions that affect their lives, and equal opportunities and treatment for men and women.

⁵ See <http://www.eu2016.nl/documenten/publicaties/2016/02/08/speech-lodewijk-asscher---promoting-decent-work>

marginal tax rate. In the Netherlands, this ranges from 37 percent to 49.5 percent (as of 2021).⁶

One option that reduces the administrative burden and simplifies use is the French system of *Cheque Emploi Service Universel* (CESU). In this system, private individuals can register as an employer and issue a formal declaration stating the services they have hired in. Based on this declaration, the competent authority calculates the social contributions and holiday allowance, debits the necessary amounts, sends the pay slips and calculates the tax deduction. The CESU offers the employer a tax benefit and ensures that the employee has coverage (pension, unemployment and accident insurance).

An incentive on the supply side would be to obtain an employment contract that includes social security coverage (including employee insurances, i.e. unemployment, occupational disability, sickness benefits/safety net) and pension accrual. Because gross costs can be deducted, however, the demand side does not end up paying more. There are various options for setting the terms and conditions under which the tax deduction can be claimed. One is to make the tax deduction contingent on procuring services through (selected) intermediary firms or, alternatively, through direct employment.

Our international survey shows that countries differ in this respect. In Sweden, private individuals can only claim the tax deduction if they go through an intermediary. They cannot employ workers directly. The workers are employed by or work as freelancers for intermediary firms. There is therefore a three-way employment relationship between the private individuals who purchase the services, the workers themselves, and the intermediary firms. In France, on the other hand, private individuals are also eligible for a tax deduction if they employ a worker directly. In Finland, tax subsidisation differs from one organisational model to another. If services are hired in through a service organisation, the tax deduction is 45 percent of the fee, whereas if the worker is employed directly, the tax deduction is 15 percent.

Under the French system, many private individuals found it difficult to pay their workers because they only received their tax credit after the end of the current year, after submitting their tax returns. That is why the French authorities amended the CESU after a few years to allow a direct, monthly tax credit to be issued. In the Netherlands, private individuals can claim monthly deductions in the form of a provisional refund instead of waiting until after they file their annual tax return. An allowance could be considered in cases where the household income is too low to apply such deductions.

The employers' organisation in the cleaning and business services sector, OSB, has been working with trade union federation FNV in recent years to establish a regulatory framework for home care and household services. The solution that they have come up with is to replace the current Home Services Scheme with a sound and effective scheme that gives domestic workers the same rights as ordinary employees. Businesses can join in by adhering to the collective agreement for cleaning and home care services, which guarantees a decent wage, protection under employment law and full access to social security (including pension accrual). Enabling companies to meet the expected growth in private demand can help to create new jobs at the bottom end of the labour market as well as offer greater security there by allowing part-time workers to work more hours.

Improve social security: explanation

There are currently two schemes of importance for the household services market in the Netherlands: the Social Support Act (*Wet maatschappelijke ondersteuning, WMO*) and the Home Services Scheme (*Regeling dienstverlening aan huis*).

⁶ The tax deduction is capped in many countries (e.g. deductible costs cannot exceed 5000 euros. This amounts to a tax benefit of 2475 euros (high tax rate) and 1850 euros (standard tax rate) per year respectively).

The Social Support Act covers government-funded household assistance, provided exclusively after a needs assessment and intended for the elderly (with a positive needs assessment), the sick and the disabled.

The Home Services Scheme covers much of the household assistance delivered to private households without a positive needs assessment. These households hire in firms or individuals to perform domestic work, such as cleaning, or to provide childcare by childminders. The scheme in fact consists of a number of exemptions from the public and civil law obligations normally imposed on employers.

In the present situation, a significant proportion of domestic workers – in fact all staff employed under the Home Services Scheme – enjoy only limited protection under the law. Employee insurance contributions (unemployment, occupational disability) and pension entitlements are not withheld for this group (in other words, the private employer pays them a net wage). The table lists the differences between categories of employees.

Table – Differences and similarities between employees (as defined by the Dutch Labour Law) and employees as defined by the Home Services Scheme

	Employment contract	Statutory exemptions under the Home Services Scheme*
Wages continue to be paid in the event of sickness	For 104 weeks: at least 70% of wage	Six weeks
Wages continue to be paid during holiday leave	At least four weeks + collective agreement provision	Four weeks
Holiday allowance	8% of gross annual salary	8% of gross annual salary
Employer liability for accidents on the job and occupational sickness	Yes	Yes
Compulsory reporting (wages and working hours)	Compulsory for employer	Only at employee's request
Dismissal requires permission from Employee Insurance Agency (UWV)	Yes	No
Notice period and valid reason for dismissal	Yes	Yes
Transition allowance	One third of a month's salary per year of employment	One third of a month's salary per year of employment
Compulsory insurance under the Sickness Benefits Act/Safety Net (ZW)	Yes	Not compulsory, but voluntary**
Compulsory insurance under the Work and Income (Capacity for Work) Act (WIA)	Yes	Not compulsory, but voluntary**
Compulsory insurance under the Unemployment Benefits Act (WW)	Yes	Not compulsory, but voluntary**
Paid pregnancy and maternity leave	Wage-related benefit issued by the Employee Insurance Agency (UWV)	Benefit paid by the Employee Insurance Agency (UWV) and linked to minimum wage
Paid adoption and foster care leave	Wage-related benefit issued by the Employee Insurance Agency (UWV)	No benefit
Wage tax	Employer is obliged to withhold wage tax and contributions under national insurance and Healthcare Insurance Act (ZVW).	Employer not obliged to withhold. Employee must file a tax return on income and pay contributions under national insurance and Healthcare Insurance Act (ZVW).
Supplementary pension	Approximately 90 percent have compulsory coverage through a pension fund	Not compulsory but voluntary participation in pension fund
Minimum Wage Act and minimum holiday allowance applicable	Yes	Yes

Working Conditions Act applicable	Yes	Yes
Working Hours Act applicable	Yes	Yes

* Enforcement of the obligations under Title 7.10 of the Dutch Labour Law is entrusted to the parties to the employment contract, who can hold the other party liable for compliance with those obligations and, if necessary, institute legal proceedings before a civil court.

** This means that they cannot claim the benefits provided for in these acts, but also that their employer is not obliged to pay employee insurance contributions on domestic workers' salaries. Domestic workers can insure themselves voluntarily, however. They must then pay contributions themselves, which – being the same as the compulsory contribution for employers – is quite a hefty sum. They must also pay the income-related healthcare insurance contribution (under the Healthcare Insurance Act, Zvw).

Domestic workers currently employed in private households are employees within the meaning of Section 7:610 of the Dutch Labour Law. This employment relationship meets the three criteria for employment contracts: the employer's obligation to pay wages, the employee's obligation to perform work, and the circumstance that the work is performed by the employee 'in the service' of the employer (there is a relationship of authority). However, the Home Services Scheme provides for exemptions that in turn create different categories of employees (see box text).

Different categories of employees

Employees who perform domestic work in a private home are employees within the meaning of Section 7:610 of the Dutch Labour Law, but the Home Services Scheme in fact creates four categories of employees:

1. Employees working for a company or institution with full protection under the law. They are subject to the standard employment and social security law; the Home Services Scheme may not be applied in their case. The employer files payroll tax returns.
2. Employees working for a private household four or more days per week. The Home Services Scheme does not apply because it sets a cap on the number of days (three). This employee enjoys full protection under the law and the employer (in this case a private individual) has the same obligations as any other employer. In the formal market, the employer files payroll tax returns; in the informal market, usually not.
3. Employees working for a private household fewer than four days per week. An intermediary has matched employee and employer; examples of such employees include 'alpha aids' and, to some extent, caregivers whose wages are paid from a personal budget (PGB) granted under one of the national insurance schemes. The Home Services Scheme applies, which means that such employees do not have full protection under the law. The household does not file payroll tax returns, but the intermediaries usually issue an annual statement to both the Tax and Customs Administration and the employee.
4. Employees working for a private household for fewer than four days total. Employee and employer have come into contact through informal channels (no intervention by an intermediary). The Home Services Scheme applies (automatically) and the household does not file payroll tax returns. The employee does not have full protection under the law. In the formal market, the employee reports the earnings on his or her income tax return; in the informal market, usually not.

Source: SEOR (2013) *Doorrekening varianten huishoudelijk werk. Eindrapport*

In this approach, the social security status of those who perform domestic work under the Household Service Scheme can be improved, for example by granting them entitlement to employee insurance benefits (sickness, unemployment and occupational disability) even though their private employers do not pay contributions. That can be effectuated by amending the rules stipulating which individuals are covered under employee insurance

schemes.⁷ (see the box text for previous Council advisory reports and recommendations). This is consistent with the idea that the Home Services Scheme should only be used for its original purpose, i.e. employment by private individuals. The effectiveness of this approach can be assessed by undertaking pilots in one or a few subsidiary markets.

Previous Council advisory reports on individuals covered under employee insurance schemes

In 2004 and 2006, the Council advised the government on the rules stipulating which individuals are covered under employee insurance schemes. It looked explicitly at part-time domestic workers and had various criticisms regarding the exemptions that apply in their case.

In advisory report 04-09 (*Personenkring Werknemersverzekeringen*), the Council begins by pointing out that the reason for the exemptions is not so much to avoid 'minimalist' insurance coverage but in particular not to burden the private employer. 'Minimalist' insurance is deemed to exist if the administrative burden, contribution obligations and implementation costs are out of proportion to the potential claims. In its advisory report, the Council expresses reservations concerning the legislature's arguments that a) it does not wish to burden private individuals with an employer's social security obligations and b) the employees so excluded are assumed not to require coverage. In the latter case, the Council asks whether the legislature has recognised or foresees that the aggregate income derived from having several employment relationships – something that occurs on a regular basis at present – might be substantial enough to require income protection under the employee insurance schemes.

The advisory report also identifies a discrepancy between the scheme applicable to domestic workers and the scheme applicable to homeworkers. The only criterion for domestic workers is the number of days, without any specification of the amount of work they do or the size of their wage, whereas the criterion for homeworkers is not number of days but the size of their wage (40 percent of minimum wage).

Finally, the advisory report draws attention to the articles by Asscher-Vonk and Driessen claiming indirect discrimination, since domestic workers are predominantly women. It also mentions the ruling in which the Dutch Administrative High Court judges this distinction to be objectively justified. In advisory report 06-07 (*Personenkring Werknemersverzekeringen. Vervolg*), the Council deems the categorial exemption of part-time domestic workers open to discussion in the light of equal treatment legislation.

Improve the quality and transparency of the market

Important goals in this approach are to professionalise the work itself, to develop human resources and to promote innovation and technological advances.

The market for personal and household services makes new opportunities available to groups employed in sectors where jobs are at risk of disappearing and to people who are not in paid employment or would like to work more hours. This calls on them to acquire new skills and to have access to opportunities for continuous professional development. Some (the low literate, migrants) would benefit from having extra support in acquiring the necessary language skills and/or from help with administrative procedures. Life-long learning is also important for retaining workers and offering them career prospects.

Market transparency can be improved by mobilising platforms that match supply and demand in the private market. At the very least, the fee paid for services must be equal to the statutory minimum wage with surcharges for the other statutory entitlements, such as holiday allowance. The platform can help to reduce the administrative burden on the household

⁷ Article 6 of the Sickness Benefits Act (ZW) and the Unemployment Insurance Act (WW) excludes certain employment relationships that fall under Articles 3, 4 or 5 of the same acts. These persons therefore have an employment relationship within the meaning of Sections 3, 4 or 5 of the ZW/WW, but do not fall within the scope of the law.

and/or worker. To ensure a level playing field, it is important that employees employed by a firm, working through a platform or hired directly by a private individual have the same legal status. The same work must be subject to the same terms and furnish the same rights, ruling out competition on terms and conditions of employment.

6. Potential effects of approaches

In the following, we map out the effects of the various approaches based on the findings of our literature review. We first describe which effects can be discerned. We then provide an initial survey of the empirical effects based on the available Dutch and international literature. It bears mentioning that the effects on employment will have to be examined in more detail. The costs and benefits will also need to be analysed more precisely.

Potential theoretical effects

The following effects can be discerned⁸:

- Price and demand effects. Price subsidisation (through tax deduction) lowers the price households have to pay for domestic help. The price reduction increases the (formal) demand for domestic help.
- Shift effect (substitution effect). This refers to the shift from the informal to the formal market.
- Employment effect. By making use of domestic help, one or more members of the household may start to work (or work more hours). The literature shows that this effect is relatively small. Greater market transparency means that workers (who often work few hours) can work longer hours.
- Autonomous growth and income effect. This refers to growth in demand for domestic work resulting from demographic and economic factors, such as changes in household composition.

Main assumptions:

- The larger the price difference (the subsidy), the more likely the shift from informal to formal, with probability increasing exponentially as the price difference rises.
- The (formal) demand for domestic work depends not only on the price, although this is the main incentive in all approaches. Other aspects that also play an important role are the administrative obligations arising from formal employment contracts and the 'trust issue'. Households want someone they can trust and therefore usually ask around in their own network when looking for personal and household services. When an intermediary is called in, it is consequently important that employers and workers who connected previously through informal channels can rely on their being matched again.
- In addition, the response on the supply side (the domestic workers themselves) is an important factor in determining to what extent employment relationships can be formalised. A possible reluctance on their part towards formalisation is related, among other things, to the net wage on the informal market, which is often higher. For example, benefit recipients do not welcome the suppression of informal work because their earnings are deducted from their benefits and they have only limited scope to earn extra money.⁹ Another possible explanation is that we know too little about the positive income effects of the various income tax deductions for employed persons, certain categories of working parents or own account workers.
- A new scheme will also have various indirect effects and side effects, through the labour market and expenditure. These will trigger a series of reactions but the macroeconomic impact is difficult to ascertain owing to the informal nature of the current market. These

⁸ Based on the FNV/OSB study and the related costing of the different variants by SEOR.

⁹ Under the abatement scheme, people aged 27 or older receiving a social assistance, IOAW or IOAZ benefit may retain 25 percent of their income from work without any reduction in their benefit in the first six months, subject to a maximum of EUR 203 per month (amount as of 1 July 2018).

would be indirect employment and income effects due to changes in spending and savings on benefits. Relatively little research has been done into the size of these effects.

The costs to society will become visible in the government budget. Subsidisation will increase government expenditure and/or reduce government revenue, depending on the scale of the measure; even so, in all cases it will result in a larger budget deficit than under the current scheme. However, there are also revenue maximisation effects. The substitution effect from informal to formal work generates additional tax revenue (e.g. additional tax and employee contribution revenue, corporate income tax paid by intermediate companies or additional VAT revenue). In addition, if the market moves from informal to formal, a growing number of households that are now reluctant to hire informal workers may become interested in hiring formal workers.

The different approaches have differing effects on the government budget. To avoid placing too great a burden on that budget, the market for personal and household services can be circumscribed. In addition, a cap can be placed on the tax deduction to prevent it becoming open-ended in nature.

Effect on social security status of workers

Creating a formal market for personal and household services will bring about a considerable improvement in the social security and employment law status of employees in this market. The advantage is that they will be insured against the risk of illness (safety net insurance), occupational disability and unemployment.¹⁰ The employer/client can use their tax deductions to finance employment law aspects, such as holidays and the holiday and transition allowances. As a result, employees will no longer be excluded from social security and minimum statutory employment terms, and the principle of Decent Work can underpin the development of the market for personal and household services. The Netherlands would also satisfy the criteria of the Domestic Workers Convention (ILO Convention 189), which states that domestic workers are entitled to full employee rights and social security.

Effect on distribution between black and formal market and size of formal market

Because the going market price combined with the tax deduction can compete with the price on the black market, a formal market may emerge. However, the extent to which there will be a substitution effect will not be clear in advance. An informal market is also likely to persist alongside the formal market for some time. Another important conclusion raised in the literature is that the price incentive should be large enough to induce a shift from informal to formal work.

The Household Services Committee (Commissie Dienstverlening aan Huis) estimates the substitution effect at a minimum of 25 million hours, assuming a tax deduction of 52 percent, and a current market for cleaning services of 103 million hours (33 million hours in the black market and 70 million hours in the formal market).

SEOR estimates that a 52 percent tax deduction will increase the number of domestic workers in the formal market from approximately 186,000 to 240,000.

Although neighbouring countries also lack firm figures, the French case study shows that the various government measures have resulted in a sharp decline in the share that informal work accounts for in this sector, from around 65 percent in the 1980s to 25 percent in 2014. The share of informal work has also declined in Sweden. It should be noted that these figures are estimates, that this decline occurred over a long period of time, and that it is linked to a broader package of measures over and above a tax deduction.

Effect on employment

Formalisation of work can help to drive growth in the number of decent jobs and a rise in the number of households that, while currently reluctant to use informal workers, will become

¹⁰ Since employees often work several low-hour part-time jobs, it is often not easy for them to actually claim the right to income insurance under the Unemployment Benefits Act. As regards the supplementary pension, the contribution-exempt amount limits pension accrual at and just above minimum wage level.

interested in hiring formal workers, stimulating employment on the lower end of the labour market and helping to create an inclusive labour market with social security protection for workers.

In the Dutch literature, the SEOR has estimated the effects of the tax deduction on employment at almost 200,000 additional persons employed in domestic work with full protection. The international case studies show increases both in the number of people working in the sector and the number of jobs. Again, estimates vary, but overall there has been an increase in the number of jobs (Sweden saw between 5,000 and 10,000 jobs created between 2010 and 2013, and France has witnessed steady and substantial growth in employment since 2003).

Effects on women's employment

In addition, increasing the appeal of outsourcing household tasks can be a particular stimulus for women's employment (in number of hours). As noted above, there has been very little research into the impact of tax measures on labour force participation. However, the international case studies show that the tax deduction is used mainly by families with children. This suggests a need for cleaning services among these groups and research shows that the measures (in particular the tax deduction) have helped to bring about a change in attitudes towards outsourcing and the distribution of household chores.

Effects on work/life balance and gender equality

Research into the effects on work/life balance is also in short supply. The Dutch literature pays little or no attention to the relationship between possible tax alternatives on the one hand and work/life balance and gender equality on the other. Of course, these effects are difficult to quantify and are more qualitative in nature.

For example, international research shows that, generally speaking, personal and household services (including the outsourcing of cleaning work) can function as an instrument to improve work/life balance and help to achieve a more equitable distribution of unpaid work. In addition, those who do the work (most of whom are women) attain a better position in the labour market, something that also contributes indirectly to gender equality.

Budgetary effect

The development of the market for personal and household services impacts public finances, in the sense that it reduces government revenue. This effect is marginally more pronounced in the case of a deduction at the high tax rate than the standard rate. On the other hand, more people will use the formal market and there will be revenue maximisation effects in the form of taxes and contributions.

If 50 percent of households apply a tax deduction, the deduction's budgetary effect is approximately EUR 650 million (for the standard tax rate of 37 percent) and EUR 850 million (for the high tax rate of 49 percent) respectively.¹¹ In addition, there are social security costs and revenue maximising effects for government. In this scenario, a sizeable proportion of the market for personal and household services is formalised. Based on what other countries have experienced, the expectation is that it will be several years before this outcome is achieved. Monitoring a new scheme after its introduction will reveal the extent to which it is used and the associated costs and benefits.

The cost of implementation will also increase. The costs of implementing a tax-based scheme are considerably lower than for an expenditure-based scheme. Compensating for the implementation costs are revenue maximising effects, which would be unattainable if the current situation were to persist. Enforcement costs can be lowered considerably by having intermediary firms lessen the administrative burden on employers. The new scheme will obviously need to be evaluated (for example four years after its introduction) to determine whether the existing Home Services Scheme can be discontinued.

¹¹ In its calculation, SEOR arrives at an additional burden for the government of approximately EUR 800 million (with the introduction of a 52 percent tax deduction). The Committee on the Home Services Scheme estimates the budgetary effects of a tax deduction of 52 percent at approximately EUR 900 million.

Budgetary effects in France

France's policy on developing the market for PHS consists of various measures and instruments. The costs involved are considerable: a total of around EUR 6 billion per annum. The tax deduction is one of the biggest expenses. In 2011, it amounted to approximately EUR 3.7 billion (55 percent of total public spending on personal and household services). Several studies have been carried out to calculate the cost-effectiveness of this measure, based on the cost per newly created full-time job.¹²

The problem with such studies is that they do not consider the revenue maximising effects for government (both direct and indirect). A study by French employers' confederation FESP shows that these effects may also be considerable: in 2010, they were estimated at EUR 2.6 billion.

During the Council's 2017 conference on the market for personal and household services, Mr Lebrun stated that the French government had developed a specific economic model to evaluate the financial costs and benefits of the government's (policy-driven) investments. One of the most striking conclusions was that the impact on French public finances varied depending on the type of personal and household service. In 2014, there was a government budget deficit of EUR 2.7 billion for care services for vulnerable groups. On the other hand, investment in household support (convenience) services produced a government budget surplus of EUR 0.1 billion.¹³

7. Need to examine approaches in more detail

The years ahead will see various trends in society that will make the PHS market even more important. That market is developing rapidly and has received a substantial boost from technological advances and the emergence of platforms. It is advisable to consider how to exploit the opportunities and manage the risks of this market going forward.

This study has anticipated this need by describing a number of approaches based on an international comparative review. It is merely an initial exploration and the approaches should be examined in more detail.

They must also be seen in conjunction with the need for an integrated approach to promoting women's employment and gender equality. The market for personal and household services will certainly not resolve every problem in the labour market, but it is, in the Committee's view, an instrument that can support women's employment and gender equality, in the same way as childcare facilities, proper leave arrangements, and so on. That market has so far also been underutilised as an instrument for achieving an inclusive labour market and for removing socioeconomic hurdles. The current scheme is at odds with the Domestic Workers Convention (ILO Convention No. 189) because it excludes workers subject to the scheme from social security coverage (among other things).¹⁴ This makes it difficult for certain segments of the personal and household services market to develop into a mature market. The Netherlands is missing out on opportunities that other countries are seizing, while technological advances are opening up new possibilities. The Committee wishes to coordinate this study with the Council's Platforming and Work programme. The Committee suggests that the Government take this study into account in any further examination of childcare facilities and, given that more elderly people are continuing to live independently, calculate the costs and benefits by performing a more detailed appraisal of the potential size of this market.

¹² Carbonnier, C. (2015) Job creation, Public Cost and the Distributive Profile in: Carbonnier, C. & N. Morel (eds) (2015) *The Political Economy of Household Services in Europe*, p. 262-283.

¹³ The French economy is about 3.5 times larger than that of the Netherlands (GDP, 2017). This provides a rough indication of the budgetary costs and benefits if the same measures introduced in France were to be rolled out in the Netherlands.

¹⁴ This precludes ratification of the Convention.