



Tackling undeclared work in the personal and household services sector

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Executive summary

This report maps the **prevalence of undeclared work in the personal and household services (PHS) sector** across the European Union (EU). It analyses the reasons and motivations for workers and employers engaging in this kind of work and reviews the available policy responses for tackling undeclared work in the PHS sector. The report answers the following questions in relation to undeclared work in PHS:

- ▶ What is the prevalence and characteristics of undeclared work?
- ▶ What key drivers and challenges are related to the PHS sector and undeclared work therein? and
- ▶ How can undeclared work in the PHS sector be tackled?

The European Commission (2012) **defines PHS** as '[covering] a broad range of activities that contribute to wellbeing at home of families and individuals: childcare, long-term care (LTC) for the elderly and for persons with disabilities, cleaning, remedial classes, home repairs, gardening, ICT support, etc.', and this is the definition used in the report.

Methodology

The report draws on **desk research**, existing **statistical evidence**, its own analysis of available data and country-specific examples. That evidence is supplemented by 12 **interviews** with Platform members, observers and other relevant national and EU level stakeholders to gather their views and perspectives on tackling undeclared work in the PHS sector (see Table A.1 in the Annex for list of consulted organisations). These interviews sought to close the data gaps of other methods. Attention was also paid to cross-border care within PHS, particularly the prevalence of undeclared work.

Key findings

Scale of undeclared work in the personal and household service sector

Around six million people **work declared in the PHS** sector in the 27 EU Member States (EU-27) in 2019, based on a narrow definition of PHS (this includes social work activities without accommodation, including social work activities for the elderly and people with disabilities and child day-care activities, as well as household employment defined as activities of households as employers of domestic personnel), 3.8 million of whom work in occupations related to care activities and 2.1 million in non-care activities. Applying a broad definition of PHS (which also includes the repair of computers and personal and household goods and other personal service activities) places the figure at around 8.8 million people working declared in PHS activities in the EU.

Data shows **that the direct employment by households of PHS workers declined during the COVID-19 pandemic**, reaching its lowest level in the second quarter of 2020. The other types of activities in PHS (social work without

Employment in the personal and household services sector



accommodation, repair of computers and personal and household goods, and other personal service activities) continued to increase, also during the first pandemic year of 2020.

The estimated level of **undeclared workers** in the EU-27 based on a narrow definition of PHS is 6.8 million, 2.1 million of whom work in the care sector, with a further 4.7 million involved in direct household employment. Under the broader definition of PHS, including employment in other services provided for households, the estimated ceiling for undeclared work activities in the PHS sector in the EU-27 is close to 9.2 million people.

In total, there are between around 12.8 million (narrow definition) and 18.0 million (broader definition) declared and undeclared workers in the PHS sector in the EU as of 2020. The **share of undeclared work in the PHS sector (both narrowly and broadly defined) is slightly over 50% on average**; lowest in the care sector (34%) and highest in direct household employment (almost 70%).

The growing demand for PHS work across all Member States is driving the transformation of the PHS sector, with an ageing population expected to increase the demand for care services at home even further in the future. A lack of formalised public and private care services and other types of PHS (e.g., accompanying people with disabilities to work or to school) is a key demand driver for undeclared work.

Prevalence of undeclared work across Member States depends on the country-specific institutional regime of providing PHS. In countries where informal care is prominent and households are direct employers, the incidence of undeclared work is higher and decreases with public provision of PHS and/or regulation of private providers.

Profiles of workers engaged in PHS vary but declared employment in the **PHS sector is dominated by women** (75-90% across the EU-27), except in repair of personal and household goods. Women generally dominate in the PHS sector, which reflects their higher engagement in the provision of care in general. In addition, the probability of providing informal care increases with age and is higher for people from less affluent households. **PHS workers are often under-employed individuals, regular or irregular third-country nationals, or EU mobile workers.** An estimated one-sixth of PHS workers are third-country nationals and EU mobile workers.

Policy approaches for tackling undeclared work in the personal and household service sector

EU Member States address undeclared work in the PHS sector with a mix of direct and indirect policy measures, with a priority **on prevention** over deterrence measures. Here, direct measures aim to reduce the costs and increase the benefits of operating on a declared basis, while simultaneously increasing the costs and reducing the benefits of engaging in undeclared work. However, it should be noted that those measures are dominant in countries where undeclared work in the sector is recognised as a challenge.

Indirect approaches target employers' and workers' behaviour and attitudes towards laws and regulations. Amongst the most common indirect measures are the **formalisation of the household care sector and information dissemination targeting PHS workers.** The formalisation aims at improving the regulatory framework of the sector and extending the scope of legislation to cover PHS workers. More generally, this can also include actions to improve work in the sector, such as addressing working conditions, payment and skills and training of PHS workers. Information and awareness-raising measures for PHS workers aim to provide practical information about workers' rights and obligations in this sector, often targeting specific issues such as exploitation in the cleaning sector.

PHS work is often **excluded from the inspection mandate** of enforcement authorities due to the self-employment status of PHS workers and lacking recognition of private households as workplaces. Moreover, PHS work is often not perceived as a priority intervention area for labour inspectorates. It is hard for inspectors to identify private employers of PHS workers and the related employment relations.

In terms of incentives for employers and workers in the sector, **social vouchers, simplified compliance, and tax credits are the most frequently used direct measures.** Households and PHS workers (who may face language/cultural barriers) need simple, administrative procedures, e.g., easy declarative tools and fiscal incentives, that help them to formalise employment. Moreover, social and service vouchers for PHS purchases are the most frequent demand-driven measure to prevent undeclared work in PHS. These vouchers carry a right for an individual to receive services. They also formalise employment relations by prompting households to register PHS workers and pay social security contributions via simple registration and tax rebates that make undeclared work more expensive for the purchaser. They show positive results in preventing undeclared work or identifying undeclared work in the PHS sector.

The recent pandemic significantly affected the sector, and specifically transnational care arrangements of live-in PHS workers, and some countries set up measures to facilitate better access to income, social protection and support services for PHS workers.

Recommendations

Recommendations for national-level policy makers

- ▶ Ratification, monitoring and enforcement of ILO Convention No. 189 by EU Member States' governments.
- ▶ A systematic approach to providing undeclared PHS workers with access to social support/benefit schemes to overcome loss of income during the COVID-19 pandemic.
- ▶ Integrated policy approaches to address gender equality, work-life balance, access to benefits and pensions, and avoid poverty in later life.
- ▶ Improved access to formal PHS within public and private social services, together with a public investment in strengthening public (and private) services in the PHS sector via regular declared work.
- ▶ User-friendly services and tools to support households in need of PHS; such as digital services and tools to enhance digital skills.
- ▶ Professionalisation of the PHS sector and recognition of the sector in its employment policies (including recognising the household as a workplace).
- ▶ Training programmes for PHS workers and benchmarks for quality services in the sector.
- ▶ Recognition of third-country nationals' qualifications and experience, together with a more flexible approach to issuing work permits.
- ▶ A regulatory framework at the national level should be established, including initiatives on minimum wage, working time regulation and social protection standards in the PHS sector.

Recommendations for the national enforcement authorities

- ▶ A strategic, holistic approach to prevent and deter undeclared work in the PHS sector with the information about rights and responsibilities in the PHS sector for households and workers, with a focus on women and third-country PHS workers.
- ▶ Review (together with competent judicial authorities) how to work with households and if they can be visited.

- ▶ Improve the control and inspection of agencies brokering PHS workers (temporary work agencies¹ and private employment agencies²).

Recommendations for the European Labour Authority and other EU-level authorities

- ▶ Support national authorities in tackling undeclared work by coordination of information and sharing of good practices (such as working with households), their effectiveness and cost-effectiveness.
- ▶ Launch a specific EU wide communication campaign in order to fight social acceptance of undeclared work in PHS.
- ▶ Adopt a standard definition of households as workplaces, which would be then transposed into policy practice across the EU Member States. Recognise the status of employers and employees in direct household employment, i.e., those involving activities of households as employers of domestic personnel, enabling them to be included in European statistical nomenclatures. In addition, support for better statistical monitoring of the sector is needed in terms of both the profile of workers and their employment conditions, and the profile of users and their needs.
- ▶ Facilitate EU-level social dialogue structures in the PHS sector, building on the already established cooperation.
- ▶ Support the professionalisation of the PHS sector through education and training of PHS workers.
- ▶ EU-level endorsement and recognition of qualifications and experience of third-country nationals in the EU Member States, together with a more flexible approach to issuing work permits.

¹ As per the legal definition of Article 3 of the Directive on Temporary Agency Work (2008/104/EC), a temporary work agency (TWA) is “any natural or legal person who, in compliance with national law, concludes contracts of employment or employment relationships with temporary agency workers in order to assign them to user undertakings to work there temporarily under their supervision and direction”. In the EU, the majority of TWA are compliant with legal and regulatory framework rules. However, fraudulent use of temporary work agencies has been reported for the purposes of undeclared work.

² Private employment agencies “solely provide services such as matching offers and applications for employment and never become a party to the three-way employment relationship” (the Platform, 2021c, p.8). TWA differ from private employment agencies which provide services related to recruitment and selection or information and training.

1.0 Introduction

The aim of this report is to map and assess the prevalence and characteristics of undeclared work in the personal and household services (PHS) sector across the EU, to analyse the factors and motivations for workers and employers engaging in this kind of work, and to review the available policy responses for tackling undeclared work in the PHS sector.

The European Commission (2012) defines PHS as '[covering] a broad range of activities that contribute to wellbeing at home of families and individuals: childcare, long-term care (LTC) for the elderly and for persons with disabilities, cleaning, remedial classes, home repairs, gardening, ICT support, etc.'. This definition of PHS allows for several types of PHS to be differentiated:

- ▶ **Care vs non-care work:** one estimate is that care-related services in people's homes (e.g., childcare, care for the older persons and for persons with disabilities) constitute 60% of PHS activities, while non-care household support services (e.g., cleaning, ironing, home repairs, gardening) account for 40% (Lebrun, 2021).³
- ▶ **Standard services vs LTC:** PHS covers both operational support with personal and household activities, as well as LTC for person in need, including children, older persons, and persons with disabilities. Data on both types are necessary from a policy perspective. While standard services (referred to also as indirect care) are usually funded by employment policies, LTC are funded usually by social policy instruments. In sum, LTC is provided as a social service to those who cannot care for themselves, while standard services are market services that households may choose to purchase.

The report evaluates the prevalence of undeclared work in the PHS sector, together with the reasons and motivations for engaging in this kind of work. It also reviews the available policies for tackling undeclared work in the PHS sector. Several country-specific examples of tackling undeclared work in PHS are presented. Attention is also given to cross-border care within PHS and the prevalence of undeclared work in those situations. In addition, the views and initiatives of selected EU-level stakeholders to tackle undeclared work in the PHS sector from an EU-level perspective are included.

The research is based on a desk research and statistical analysis, alongside 12 interviews conducted with European Platform tackling undeclared work (Platform) members, observers and other relevant national and EU-level stakeholders (e.g. European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT), European Public Service Unions (EPSU), UNICARE, European Association of Service providers for Persons with Disabilities (EASPD), European Federation for Family Employment and Home Care (EFFE), European Federation for Services to Individuals (EFSI), Social Employers Europe. In addition to the 12 interviews, 3 responses were provided in writing to the same interview questions (see the Annex for list of consulted stakeholders). These interviews supplemented and filled data gaps in the desk research, literature review and statistical analysis.

The report answers the following questions in relation to undeclared work in PHS:

- ▶ What is the prevalence and characteristics of undeclared work in the defined types of services within the PHS sector?
- ▶ What key drivers and challenges are related to the PHS sector and undeclared work therein?

³ The distinction care work vs non-care work is sometimes interchangeably used by some of the organisations with direct work vs indirect work.

- ▶ How can undeclared work in the PHS sector be tackled?

The analysis of policy initiatives followed two approaches: (1) direct vs indirect policy measures; and (2) preventive and deterrence policy measures. The report is structured as follows: Section 2 provides available statistical evidence on the employment situation in the PHS sector. Section 3 addresses the prevalence of undeclared work in the PHS sector, while Section 4 analyses the types of undeclared work and the drivers of its emergence. Section 5 provides an overview of various policy initiatives aiming to tackle undeclared work in PHS and Section 6 formulates conclusions and recommendations for national-level and EU-level stakeholders.

2.0 Employment in the personal and household services sector

This section explores the available survey data from the EU-27 (as of 2020) to describe employment trends and estimate the size of formal employment in the PHS sector.

Key findings

- ▶ Over the last decade, employment in social care activities has grown, while employment in activities of households as employers of PHS workers has declined.
- ▶ Around six million people **work declared in the PHS** sector in the 27 EU Member States (EU-27), based on a narrow definition of PHS, 3.8 million of whom work in occupations related to care activities and 2.1 million in non-care activities. Applying a broad definition of PHS places the figure at around 8.8 million people working declared in PHS activities in the EU.
- ▶ Employment in the PHS sector is dominated by women, who hold a 75-90% share of total employment in the sector.
- ▶ The COVID-19 pandemic in 2020 stimulated a higher need for care activities, while employment in activities of households as employers of PHS fell.

2.1 Size and trends in the PHS sector

PHS comprise care and non-care activities, with care activities holding the dominant share of total PHS employment. Box 2.1 provides the definitions of the narrow and broad statistical definitions of PHS employment based on the NACE classification.⁴

⁴ NACE refers to the classification of economic activities in the European Union (EU); the term NACE is derived from the French *Nomenclature statistique des activités économiques dans la Communauté européenne*. See the Annex for further methodological details.

Box 2.1. PHS definitions

Care activities in the PHS sector are covered by two categories in NACE:

- Q88 – Social work without accommodation: mostly related to non-residential (long-term) care activities for dependent, disabled or elderly individuals and children (including nurseries);
- Around a quarter of activities classified under T97 – Activities of households as employers of household personnel (e.g. health related personal care, child care, etc., see Table 2.2).⁵

The household activities in T97 consist of direct household employment, while social care activities in Q88 cover both household employment and provision of non-residential care by care institutions and organisations. Additionally, care activities in Q88 can be subdivided into supporting care activities and long-term care.

Non-care activities in the PHS sector are defined by three NACE subsectors: S95 – Repair of computers and personal and household goods; S96 – Other personal service activities (e.g., hairdressers, nail-bars), where these services are provided at home; and substantial part (around three quarters, see Table 2.2) of T97 – Activities of households as employers of household personnel.⁶

The **narrow definition of PHS** includes NACE subsectors Q88 – Social work activities without accommodation and household employment defined as T97 – Activities of households as employers of domestic personnel.

The **broad definition of PHS** includes, in addition to the above, the S95 – Repair of computers and personal and household goods and S96 – Other personal service activities. Although the inclusion of S95 has been contested, this report aims at an encompassing approach to locate the PHS sectors and carefully selects care and non-care types of services delivered at home to assess the scope of PHS work in Europe.

Each individual is categorised into exactly one sector and occupation, and is never counted twice.

Figure 2.1 shows the structure of NACE activities in the three relevant sectors (Q, S, T), with those related to the PHS sector highlighted. Subsectors Q88 – Social work activities without accommodation for the elderly and disabled and S97 – Activities of households as employers of domestic personnel constitute a more restrictive, narrow definition of the PHS sector.

⁵ Sub-class T97 includes activities of households as employers of domestic babysitters, butlers, chauffeurs, cooks, gardeners, gatekeepers, governesses, laundresses, maids, secretaries, stable-lads, staff, tutors, valets, waiters, caretakers, etc. This sub-class enables employed domestic workers to indicate this activity in censuses or surveys as the activity of their employers, although the employers are individuals. The product or benefit from this activity is consumed by the employing household. This sub-class excludes provision of services such as cooking, gardening, etc. by independent providers of services (companies or individual entrepreneurs).

⁶ The report acknowledges the challenges related to locating and identifying non-care services within NACE categories, since providers operate in different professional fields and may exercise a plurality of activities. To address this challenge, the report covers activities implemented at home by selected occupational categories of individual providers. Decker and Lebrun (2018) provide a detailed overview of the classification of the major activities of PHS service provider organisations in the NACE statistical nomenclature.

Figure 2.1 Structure of economic activities with the PHS subsectors (NACE, rev. 2)

Q – Human health activities

- 86 Hospital activities
- 87 Residential nursing care activities
- ▲ 88 Social work activities without accommodation
- ▲ 88.1 Social work activities without accommodation for the elderly and disabled
- ▲ 88.9 Other social work activities without accommodation
- ▲ 88.91 Child day-care activities
- ▲ 88.99 Other social work activities without accommodation n.e.c.

S – Other service activities

- 94 Activities of membership organisations
- 95 Repair of computers and personal and household goods
- 95.1 Repair of computers and communication equipment
- 95.2 Repair of personal and household goods
- 96 Other personal service activities
- 96.0 Other personal service activities
- 96.01 Washing and (dry-)cleaning of textile and fur products
- 96.02 Hairdressing and other beauty treatment
- 96.03 Funeral and related activities
- 96.04 Physical well-being activities
- 96.09 Other personal service activities n.e.c.

T – Activities of households as employers

- ▲ 97 Activities of households as employers of domestic personnel
- 98 Undifferentiated goods- and services-producing activities of private households for own use

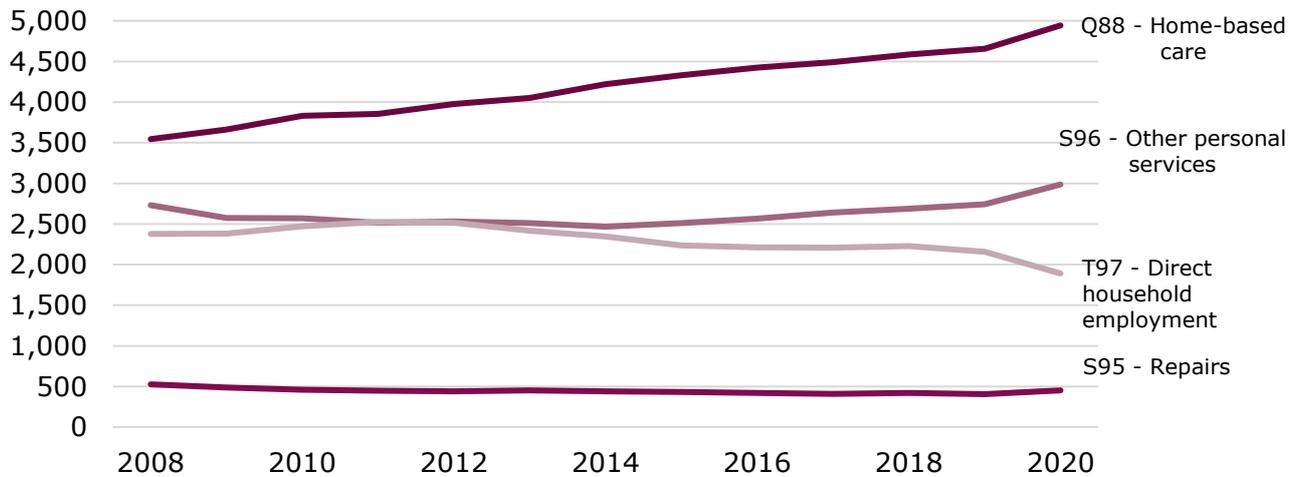
Legend:

- The broad definition of PHS
- ▲ PHS and care services and direct PHS (the narrow definition)

Source: CELSI 2021.

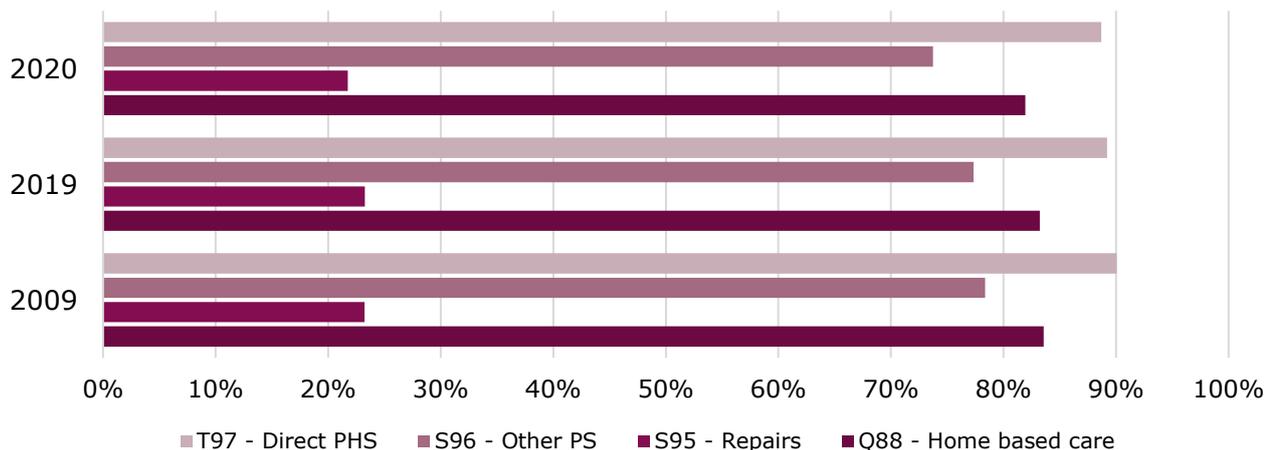
Long-term employment trends in the PHS sector in the EU-27 based on the EU Labour Force Survey (EU-LFS) are depicted in Figure 2.2. Employment trends in care activities diverged during 2008-2020, with employment in social care activities (Q88) growing from 3.7 to 4.9 million and direct household employment (T97) falling from 2.4 to 1.9 million during the period. The increase in employment in Q88 – social care in 2020 is consistent with a greater need for care activities during the COVID-19 pandemic. On the other hand, employment of household personnel (T97) dropped during the same period, probably due to social distancing and limited cross-border mobility during the pandemic. Figure A.1 in the Annex depicts these patterns in relative terms in the total employment. Figure 2.3 shows that employment in the PHS sector is dominated by women (75-90%), with the exception of the subsector S95 (Repair of personal and households goods). The share of women across the PHS subsectors was rather stable over the studied period 2009-2020, although it slightly declined in all subsectors between 2019 and 2020.

Figure 2.2 Employment in the PHS subsectors (thousands)



Source: CELSI 2021, based on the EU LFS data (variable lfsq_egan22d).

Figure 2.3 Share of women employed in the PHS subsectors



Source: CELSI 2021, based on the EU LFS data (variable lfsq_egan22d).

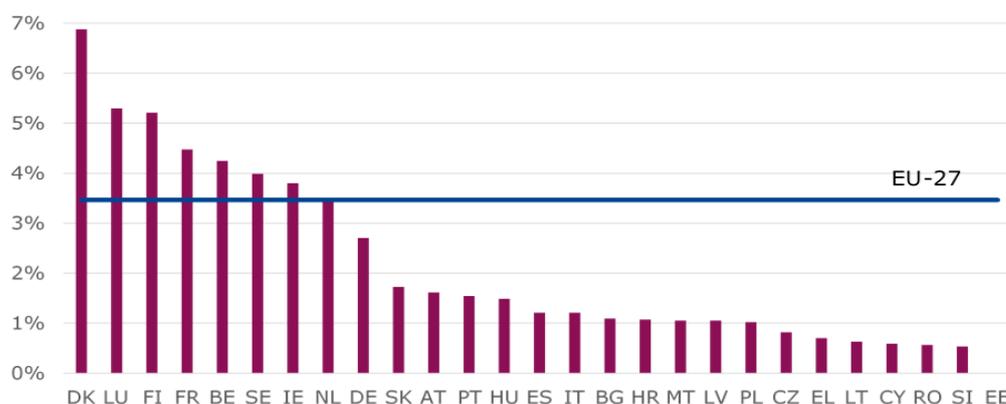
2.2 Regular employment in care activities

Figure 2.4⁷ shows the varied levels of declared employment in social care across EU countries, with high prevalence in Northern European countries (DK, FI, SE) and several Western European countries (BE, DE, IE, FR, LU, NL), but significantly lower in Southern and Eastern and Central European countries (e.g., CZ, CY, EL, LT, RO, SI). This is related to countries' different social care regimes and LTC systems, which divide the responsibility between the state, care providers and the family differently, with the latter still providing the bulk of care, even in countries with a relatively generous provision of care services. Northern European countries rely more heavily on a universal care regime, with high public service provision, while family-oriented care regimes

⁷ The following part is based on analytical combination of various data sources. The EU-LFS microdata include NACE-1D sector classification, thus the occupation structure of workers in the care activities (Q88) under NACE-Q sector is not directly observed. To examine occupations in the NACE-Q sector, the European Working Conditions Survey (EWCS) 2014 and EU-LFS 2019 data were combined to construct the employment shares in NACE-Q subsectors. ECWS 2014 is the only available source to distinguish employment at ISCO-2D and NACE-2D levels.

in Southern and Eastern and Central European countries grant more limited support, with the family as main care provider.

Figure 2.4 Employment in social work activities without accommodation – NACE Q88 sector (share of total employment, 2019)



Note: There is no data in the EU LFS for the subsector Q88 for Estonia.

Source: CELSI 2021, based on EU-LFS 2019.

Table 2.1 presents the occupational structure (ISCO-2D) in the subsector Q88 – Social work without accommodation and other subsectors of the health sector (Q86 and Q87). The three largest categories in Q88 are personal care workers; legal, social and cultural professionals and associate professionals; and teaching professionals, who constitute 38%, 18% (9% professionals and 9% associate professionals), and 15% of employment in the subsector Q88, respectively.⁸ Health professionals (professionals and associate professionals) and personal service workers constitute 8% of the sector.

As many as 72% of teaching professionals in the Q sector are categorised in Q88; the corresponding figures for legal, social and cultural professionals is 55% and for associate professionals in the same occupation it is 47%. The overall share of personal care workers in Q88 in all personal care workers in human health activities sector Q is 26%.

⁸ Country shares (ISCO-2D by NACE-2D) from EWCS 2014 in the EU-LFS 2019 data were used to estimate employment by occupation in Q88. See Table A.2 and the explanation in the annex for the estimates of employment in subsector Q88.

Table 2.1 Occupation structure of employment in human health activities (Q) subsectors, 2019

Occupation	ISCO 2-digit	Share of Q88 in the Q sector, by occupation *	Employment share in the subsector by occupation (%)		
			Q86	Q87	Q88
Personal care workers	53	26%	14%	46%	38%
Teaching professionals	23	72%	1%	2%	15%
Legal, social, cultural ass. prof.	34	47%	1%	6%	9%
Legal, social and cultural prof.	26	55%	2%	2%	9%
Cleaners and helpers	91	22%	3%	8%	6%
Health associate professionals	32	3%	28%	15%	4%
Health professionals	22	2%	35%	7%	2%
Personal service workers	51	10%	2%	6%	2%
Other			15%	9%	15%

Source: CELSI 2021, based on EU-LFS 2019 and EWCS 2014. *The figures in this column do not sum up to 100% because the shares are represented within respective occupations.

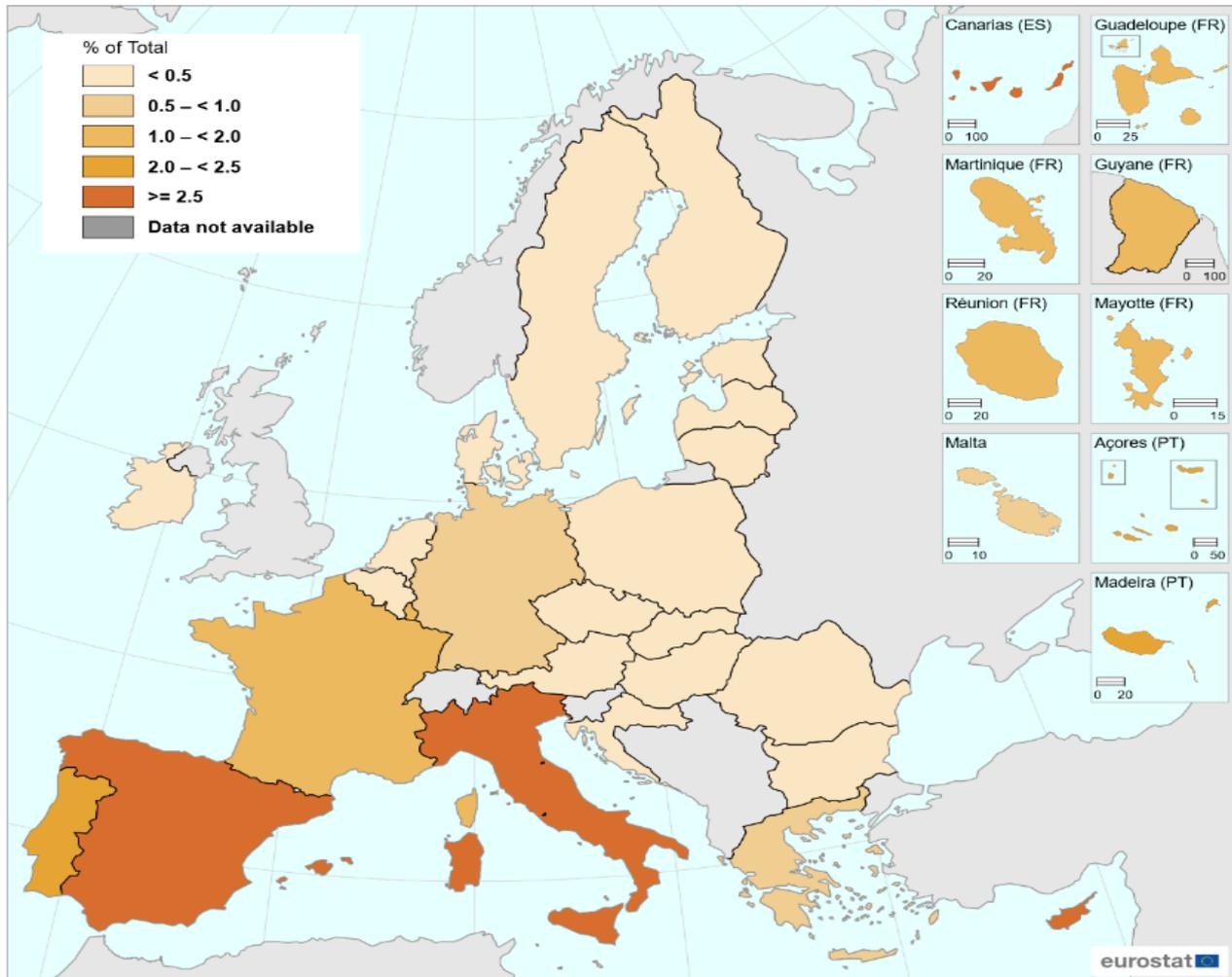
Employment in sector T (activities of households as employers) is concentrated nearly exclusively in the subsector T97 – Household as employers category (98% of employment in T sector). Looking at its occupational structure, 91% of workers in the T97 category are domestic, hotel and office cleaners and helpers, personal care workers, childcare workers and teachers' aides (e.g., tutors) and building and housekeeping supervisors (Table 2.2). In 2019, the care related employment (personal health care and childcare) covered slightly more than 25% of employment of this subsector. Figure 2.5 shows the geography of employment in household activities. In 2019, the share of PHS workers in subsector T97 was at least five times higher in some Southern European EU Member States (CY, ES, IT) than in Eastern and Central European and Northern European EU Member States.

Table 2.2 Occupation structure of employment in household activities (T97), 2019

Occupation name	ISCO code 3-digit	Employment share (%)	Employment (thousands)
Domestic, hotel and office cleaners and helpers	911	61.6%	1 360
<i>Personal care workers in health services</i>	532	19.9%	438
<i>Childcare workers and teachers' aides</i>	531	6.1%	134
Building and housekeeping supervisors	515	3.6%	79
Other personal services workers	516	1.6%	35
Other elementary workers	962	1.1%	24
Market gardeners and crop growers	611	1.1%	24

Source: CELSI 2021, based on EU-LFS 2019. The two categories in italics cover care activities within T97 in the most part.

Figure 2.5 Geography of employment in household activities (T97), 2019

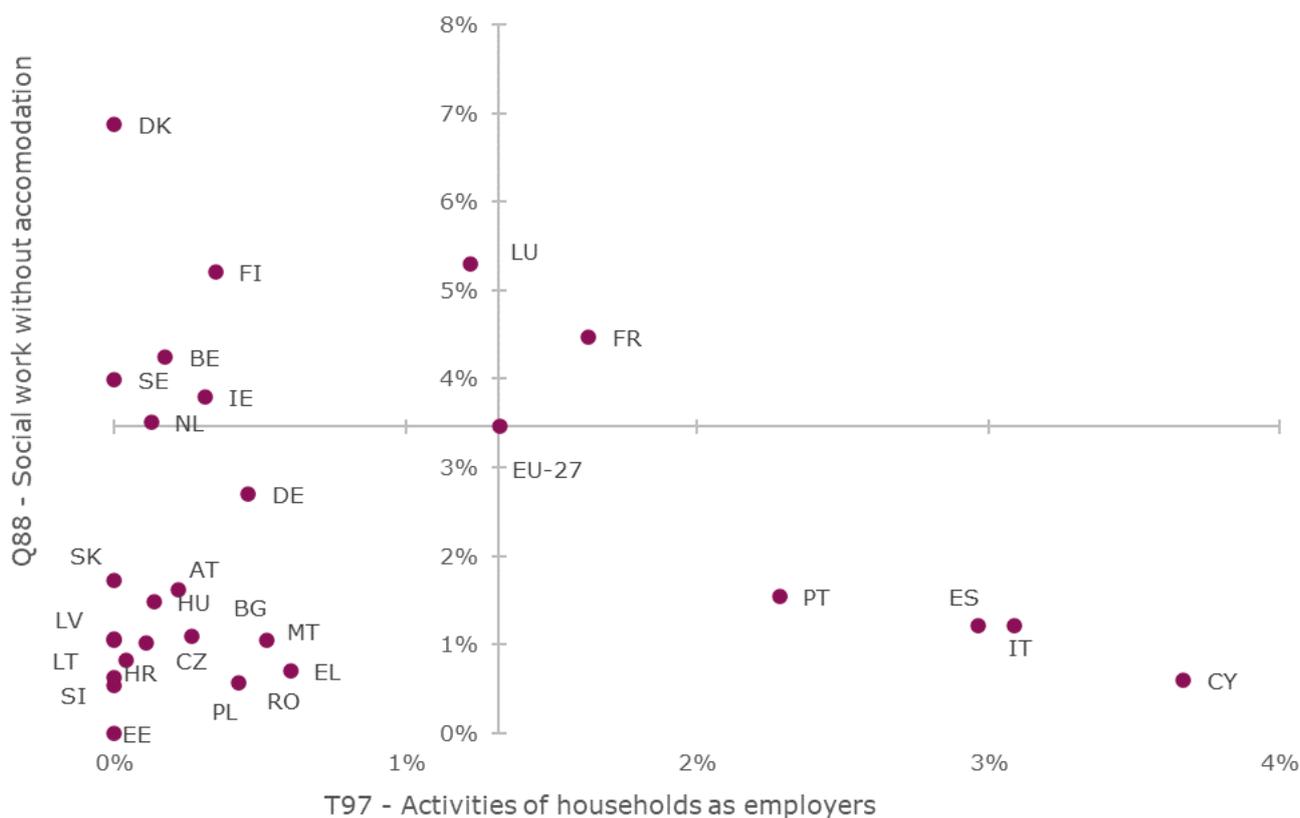


Administrative boundaries: © EuroGeographics © UN-FAO © Turkstat
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Source: CELSI 2021, based on EU-LFS 2019.

Figure 2.6 contrasts employment in social care (Q88) and household (T97) activities across the Member States relative to the EU-27 average (Lebrun, 2019). Northern European countries typically employ many workers in social care activities, but relatively few household workers. Southern countries (Cyprus, Italy, Portugal, Spain) show the opposite pattern. Many Western European countries (France, Germany, Luxembourg, the Netherlands) are close to the EU-27 average (3.5% employment in social care and 1.3% employment in household activities). In general, the Eastern and Central European countries have low (formal) employment in care activities relative to EU-27 levels.

Figure 2.6 Employment in social care and in household activities, 2019



Source: CELSI 2021, based on EU-LFS 2019 and Lebrun (2019).

2.3 Regular employment in non-care activities

The identification of non-care PHS activities in the NACE sector S – Other service activities is not straightforward, as workers in S94 – activities of membership organisations are not counted in the PHS sector and disaggregated figures for the subsectors are generally not available. The share of employment in S94 in total employment in sector S is substantial in some countries (more than 50% in DK, FI, LU and SE), yet remains below 30% in most countries (Figure 2.7).

We estimated employment in the PHS sector in sector S – Other service activities using two alternative approaches⁹. We first look at the subsector S96 – Other personal service activities, and thus the most relevant occupations for the employment of personal care and personal service workers. At this subsector level, the occupational structure can be measured at the 2-digit level of ISCO. Table 2.3 reports the results obtained using this approach. The two by far the largest occupational groups in the subsector are personal service workers and personal care workers, together accounting for 71% of the sector. Cleaners and helpers account for another 9%.

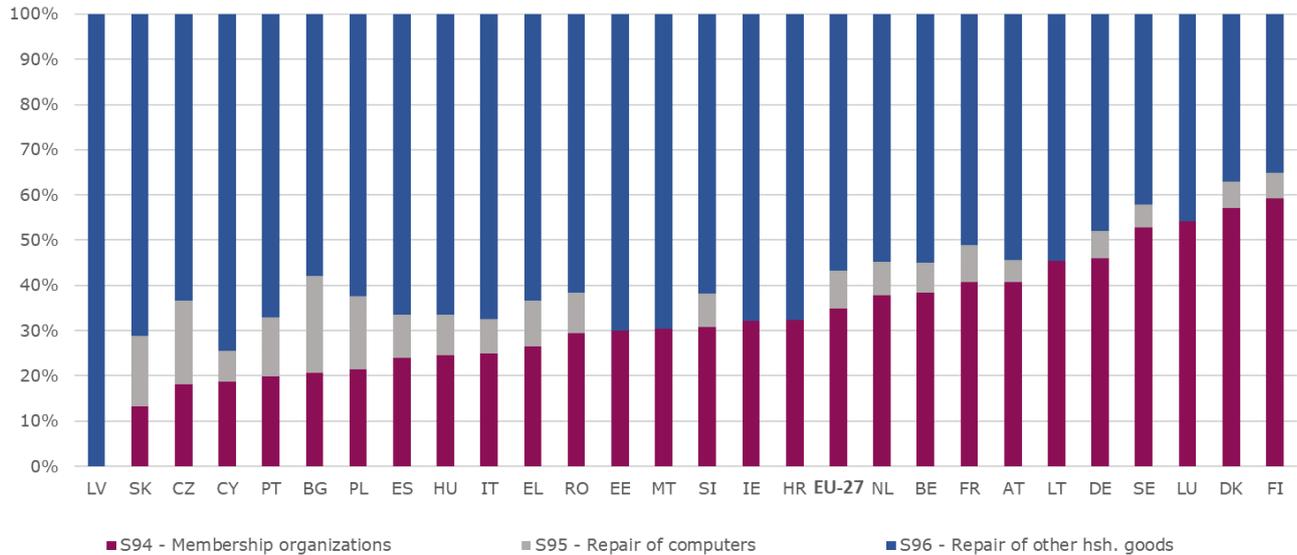
We then look at two ISCO 3-digit occupational groups: hairdressers, beauticians and related workers; and domestic, hotel and office cleaners and helpers and distinguish subsectors S95 and S96 for these occupational categories. Table 2.5 reports the structure of occupations at ISCO 3-digit level in sector S – Other service

⁹ ECWS 2014 is the only available data source to provide employment levels at ISCO 1-digit and NACE 2-digit structure and thus to enable us to triangulate the occupational structure of employment in S95 – Repair of household goods and S96 – Other personal services. For 2-digit NACE subsectors the data permit distinguishing only 2-digit ISCO levels, while at the 1-digit NACE we can distinguish 3-digit ISCO levels.

activities obtained from EU-LFS microdata (Table 2.4). We find that hairdressers, beauticians and related workers constitute nearly one third of employment in the two subsectors of S. The second most frequent groups are social and religious professionals at 5%.

NACE S – Other service activities comprises three subsectors. The robust estimate of employment in sector S assumed only occupations related to PHS. Table 2.4 therefore represents an upper bound estimate of employment in the PHS sector, based on the broader definition.

Figure 2.7 Employment in sector NACE – S - Other service activities, by subsectors



Source: CELSI 2021, based on Eurostat (variable lfsq_egan22d).

Table 2.3 Major occupational groups in S96 – Other personal service activities, 2014

Occupational group	ISCO-2D	Share of employment (%)
Personal service workers	51	46%
Personal care workers	53	25%
Cleaners and helpers	91	9%
Refuse workers and other elementary workers	96	4%
Sales workers	52	2%
Business and administration associate professionals	33	2%
Legal, social, cultural and related associate professionals	34	1%

Source: CELSI 2021, based on EWCS 2014.

Table 2.4 Identification of major occupations in NACE-S, EU-27, thousands

Occupation	Sector S			Subsectors	
	ISCO-3D	Share (%)	Employment	S95	S96
Hairdressers, beauticians and related workers	514	32%	1 555.6		1 556
Social and religious professionals	263	5%	230.3	2	46
Domestic, hotel and office cleaners and helpers	911	3%	160.9		129
Personal service workers	510	3%	154.6		154
Other personal services workers	516	3%	138.7		139
Textile, fur and leather products machine operators	815	3%	131.9	1	112
Administrative and specialised secretaries	334	2%	119.4	6	72
Legal, social and religious associate professionals	341	2%	112.7		68
Secretaries (general)	412	2%	102.0		15
Other health associate professionals	325	2%	82.2		65

Source: CELSI 2021, based on EU-LFS 2019 and EWCS 2014.

2.4 Summary: regular employment in care and non-care activities

Table 2.5 summarises the overall and most detailed estimation of occupational structure in care and non-care activities in 2019. Based on the narrow definition of the PHS sector (including Q88 – Social work without accommodation and T97 – Activities of households as employers), 3.8 million workers in the sector work in occupations related to care activities and 2.1 million in occupations in non-care activities. Taken together, the results indicate that there are 6.02 million people employed formally in PHS sector according to the narrow definition of PHS. These estimates can be interpreted as the lower bound of the size of the PHS sector in the EU-27. Applying the broad definition resulted in, additionally, 2.82 million people working formally in PHS activities within other services (sector S). The total of 8.83 million can thus be seen as the upper bound of the size of the formal employment in PHS sector in the EU-27. The typology of subsectors in Table 2.5 refers to the main type of provided PHS activities, while subsector Q88 is related mostly to care activities and S95 to non-care activities; the household employment in subsector T97 and other services S96 can provide both care and non-care activities, denoted as mixed in table below.

Table 2.5 Estimation of formal employment in PHS sector (narrow and broad definition), EU-27, thousands, 2019

Occupation / typology by NACE	ISCO-	Q88	S95	S96	T97	Q+T	Q+S+T
	2-digit	LTC	non-care	mixed	mixed	narrow	broad
Health professionals	22	103		41	1	104	145
Teaching professionals	23	509			4	513	513
Legal, social and cultural professionals	26	546	3	55	3	549	608
Health associate professionals	32	184		91	14	198	290
Legal, social, cultural associate professionals	34	506		112	9	515	627
Information and communications technicians	35		33			0	33
Personal service workers	51	70		1 890	114	184	2 074
Personal care workers	53	1 582		86	572	2 154	2 240
Market-oriented skilled agricultural workers	61	11		28	24	35	63
Building and related trades workers, excluding electricians	71	2	28	14	18	20	62
Handicraft and printing workers	73		27			0	27
Electrical and electronic trades workers	74		104			0	104
Food processing, woodworking, garment and other craft and related trades workers	75		88	16		0	104
Cleaners and helpers	91	323		163	1 360	1 683	1 845
Refuse workers and other elementary workers	96	35		35	24	59	94
Employment not included in PHS		783	122	213	13		
Total PHS Workers		3 871	:	:	2 143	6 016	8 831

Source: CELSI 2021, based on EU-LFS 2019 and EWCS 2014.
: Not available.

3.0 Undeclared work in the personal and household services sector

This section reviews the level and type of undeclared work in the PHS sector in the EU-27 and estimates the share of undeclared work in the sector using both the broad (sectors Q, S and T) and the narrow (sectors Q and T) definition of those sectors.

Key findings

- ▶ According to the narrow definition (covering care activities and direct household employment), the estimated level of undeclared work in the EU-27 is 6.8 million people, 2.1 millions of whom work in the care sector (Q88), with a further 4.7 million involved in direct household employment (T97).
- ▶ When the definition is extended to consider employment in other services provided to households, the estimated ceiling for undeclared work activities in the EU-27 is close to 9.2 million people.
- ▶ The share of undeclared work in the PHS sector (both narrowly and broadly defined) is slightly over 50%. Significant differences exist between the care sector (34% of total) and direct household employment (T97, almost 70% of total).

3.1 Informal care outside of the family

The EHIS-2 data enable us to analyse informal care outside of the family. We found that personal care is provided mostly within the family (not counted as undeclared work), and only one in six people report providing care outside the family (Figure 3.1). The available data do not indicate whether such care providers are paid. Using individual data and statistical methods, we found that the probability of providing informal care outside the family increases with age and is higher for those from less affluent households. On average, women are more frequently than men engaged in the provision of informal care.

Figure 3.1 Provision of informal care (thousands), 2014



Source: CELSI 2021, based on EHIS-2.

Note: The EHIS-2 survey collected data during 2013-2015 from more than 280 000 respondents in the EU-27. Almost 40 000 people reported 'providing care or assistance to one or more persons suffering from some age problem, chronic health condition or infirmity, at least once a week (professional activities excluded)'. The figure plots the 'prevailing relationship of the person(s) suffering from any chronic condition or infirmity or due to old age being provided with care or assistance at least once a week from the respondent.'

3.2 Scale of undeclared work in PHS

To estimate the scale of undeclared work in PHS, the report primarily relies on the 2019 Eurobarometer survey on undeclared work¹⁰. The Eurobarometer survey allows the demand and supply for undeclared work to be estimated and the incidence of undeclared work to be identified, along with the numbers of relevant providers. Those purchasing undeclared goods or services were counted to estimate the demand for undeclared work. Table 3.1 presents the list of goods and services considered.

Table 3.1 Persons declaring having paid for undeclared goods or services by the type of activity during the last 12 months

Type of activity	Count (thousands)	Of which included in PHS*	ISCO 3 digit	ISCO 2-digit
Babysitting	679	100%	531	53
Healthcare services	671	100%	532	53
Hairdressing/beauty treatments	4 146	75%	514	51
Cleaning/ironing	2 943	16%	515	51
Home repairs/renovations	6 079	100%	515	51
Gardening	3 140	36%	921	92
Tutoring	957	90%	235	23
Helping to move house	1 133	24%	:	:
Passenger transport	911	49%	:	:
Dependent/elderly assistance	838	21%	532	53
Admin/clerical/IT assistance	449	55%	:	:
Repairs car/mobile phone, etc.	5 546	80%	741	74
Buying food	5 313	18%	:	:
Buying other goods/services	7 292	7%	:	:
Unknown	1 183	35%	:	:
Total	41 281	47%	:	:

Source: CELSI 2021, based on Eurobarometer 92.1.

Notes: Respondents were asked 'Which of the following goods or services have you paid for during the last 12 months, where you had a good reason to believe that they included undeclared work, i.e., that the income was not declared in full to tax or social security authorities?'

* The percentages indicate the share of demand for undeclared work in the respective PHS according to the narrow definition of PHS. For example, in the area of dependent/elderly assistance, the reported percentage indicate that of the 838 thousand persons purchasing undeclared services in this area, 21% concerned PHS. The remaining 79% refers to the purchase of undeclared residential and day care activities.

: Not available.

¹⁰ The authors also examined the European Health Interview Survey (EHIS-2) and Survey of Health, Ageing and Retirement in Europe – SHARE databases, but those data could not be used to estimate the scale of undeclared work, as they do not distinguish it from unpaid informal (home-based long-term) care.

Those carrying out undeclared activities on their own account or for an employer were counted to estimate the supply of undeclared work. Figure A.2 in the annex shows the estimate by type of activity, sorted by sector. We found that the shares in total undeclared activities of the care sector (subsector Q88) and in direct household employment (T97) are around one-third and 14%, respectively. More than 50% of undeclared employment refers to sectors beyond the narrow definition of PHS.

Figure A.3 in the annex shows the estimated number of undeclared workers in the PHS sector (narrow definition aimed at home-based care and direct employment in households), by type of activity. Total employment in PHS was found to count approximately 6.8 million people, almost 2.1 million of whom work undeclared in the care sector (Q88) and approximately 4.7 million in direct household employment (T97).

Based on the occupation analysis related to declared activities, the research team calculated the probability of working undeclared (wide definition including repairs of household goods and other personal services) in PHS activities (Table 3.2). An estimated 9.2 million people appear likely to work undeclared in the PHS sector.

Table 3.2 Provision of undeclared activity in the last 12 months – broad definition (thousands)

	Estimate	ISCO 3-digit	ISCO 2-digit	% included in PHS*	Undeclared workers in PHS*
Babysitting	996	531	53	100%	996
Dependent/elderly assistance	526	532	53	100%	526
Cleaning/ironing	947	515	51	100%	947
Repairs/renovations	2 095	515	51	100%	2,095
Gardening	1 186	521	52	100%	1 186
Waiter/waitress	1 307	:	:	36%	471
Tutoring	1 135	235	23	100%	1 135
Passenger transport	277	:	:	24%	66
Helping to move house	559	:	:	49%	559
Admin/clerical/IT assistance	337	:	:	21%	71
Professional services	480	:	:	55%	264
Writing/translation	372	:	:	80%	298
Creative/multimedia/software	617	:	:	18%	111
Selling food	431	:	:	7%	30
Selling other goods/services	964	:	:	35%	337
Unknown	1 642	:	:	6%	99
Total	13 869			47%	9 191

Source: CELSI 2021, based on Eurobarometer 92.1.

Note: *Authors' estimations derived from Eurobarometer, the shares indicate the amount of undeclared work considered in PHS in selected activities (broad definition).

: Not available.

This research indicates that the incidence of undeclared work in PHS – under each the narrow and broad definitions – amounts to slightly over 50% of employment in the PHS sector. There is some variation across PHS

subsectors: the respective rate in the care sector is 34%, whereas in direct household employment it is almost 70%. This can be partly explained by the definition of undeclared work, as well as limitations of data linkage between reported activities in the Eurobarometer survey and definition of occupation and sector in the EU-LFS. Finally, while the Eurobarometer survey provides a reasonable perspective of undeclared work at EU level, the small sample size prevents a more detailed analysis at country level. These findings should therefore be interpreted with caution.

Table 3.3 Estimated declared and undeclared work in the PHS sector, 2019

	PHS narrowly defined (includes the care sector and household employment, Q88+T97)	Care sector (Q88)	Direct household employment (T97)	PHS broadly defined (includes part of NACE-S, such as beauty activities)
Declared work (thousands)	6 016	3,871	2 143	8 831
Undeclared work (thousands)	6 808	2 065	4 743	9 191
Ratio of undeclared work and declared work	1.13	0.53	2.21	1.04
Undeclared work on total employment	53%	35%	69%	51%

Source: CELSI's estimations 2021, based on EU-LFS 2019, EWCS 2014 and Eurobarometer 2019.

Notes: The figures reported in this table for undeclared work represent separate estimates based on the methodology outlined above and in the Annex. Small statistical discrepancies may arise due to rounding errors.

4.0 Types of undeclared work in the personal and household services sector and their drivers

This section reviews the main types of undeclared work in the PHS sector and explores the possible employment relationships between PHS workers, the employer (households and individuals) and stakeholders mediating this employment relationship. This approach is needed to understand the diversity in institutional regimes of the PHS sector across the EU-27. The section then introduces the main drivers of supply of and demand for PHS work and the provision of undeclared work therein. This section aims to provide insights into employers' and employees' motivations for engaging in undeclared work. Digitally mediated PHS work, and the provision of cross-border live-in care work are explicitly highlighted as special arrangements of supply and demand for undeclared PHS work.

Key findings

- ▶ The most prevalent form of undeclared work in the PHS sector is unregistered employment, especially in countries where households directly employ PHS workers.
- ▶ Cases of under-declared employment and/or bogus self-employment were also reported in the PHS sector. If casual work arrangement is deployed, the risk of under-declared employment increases and unregistered employment decreases.
- ▶ Prevalence of undeclared work across most Member States, depends on the country-specific institutional regime of providing PHS. In the countries where households are direct employers, the incidence of undeclared work is higher (with the exception of, e.g., France). The incidence of undeclared work decreases with public provision of PHS and/or regulation of private providers.
- ▶ A variety of worker profiles engage in PHS but are primarily women of different backgrounds. PHS workers are predominantly in the later stages of their working lives, they provide these services undeclared or underdeclared to supplement income for legally registered employment or from state benefits which they might lose if declaring the PHS income thus may be also registered as unemployed. Many of these workers are legally or illegally residing third-country nationals or EU mobile workers.
- ▶ Most undeclared workers in the PHS sector are hired directly by households. Households are motivated to use an undeclared worker because of lower labour costs and no administrative burden compared to a regular employment procedure.
- ▶ An estimated one-sixth of PHS workers are third-country nationals and EU mobile workers.
- ▶ The key challenges in undeclared work in 24-hour live-in assistance are well known, but cross-border solutions remain underdeveloped. The case of Austria illustrates that some common ways of addressing these challenges are via self-organised networks of care workers. Another approach via non-governmental organisations (NGOs) offering support to migrant care workers is found in Belgium.

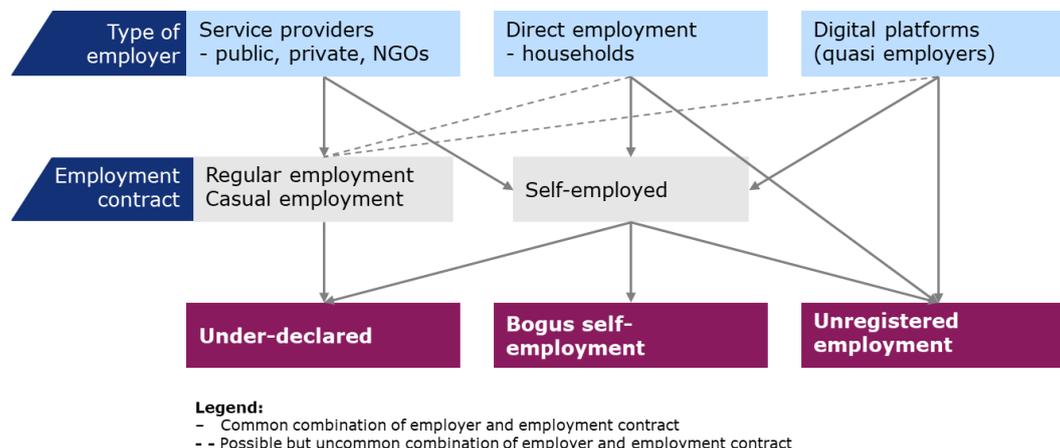
4.1 Employment relations in the PHS sector and sources of undeclared work

Three main types of employment and quasi-contractual relationships can be identified within the PHS sector:

- ▶ Employment by service providers;¹¹
- ▶ Direct employment (households as employers);
- ▶ Platform work/digital platforms.¹²

Employment relations between employees and different types of employers/providers establish different incentives for undeclared, unregistered and under-declared employment or bogus self-employment (Figure 4.1). Arrows depict possible interactions between employers and type of contract leading to some form of undeclared work. Solid arrows suggest more common combination of employer and employment contract while dashed arrows identify possible but uncommon combination.

Figure 4.1: Employment relations in the PHS sector and channels of different types of undeclared work



Source: CELSI 2021.

- ▶ **Service providers (umbrella/payrolling companies):** Service providers are one of the three parties in the triangular employment relationship, along with households and employees. Service providers may serve as the employers of the PHS workers or only as labour market mediating agency. They can be public, private, or NGOs. The evidence suggests that the triangular employment relationship decreases incidences of undeclared work in the PHS sector because it imposes the burden of evidence of employment on firms, which is easier to control than households (Hobson et al., 2018). However, although service providers employ PHS workers under a legal employment relationship, there is a risk that employees will suffer under-declared employment, especially where both the employer and the employee have incentives to declare only the minimum required by law, with the rest paid in ‘envelope wages’. This is especially true where schemes for casual work exist and are applied.
- ▶ **Direct employment relationship** means that a household is a direct employer of PHS workers. A high administrative burden and high labour costs provide incentives for undeclared work (European Commission,

¹¹ Service providers refer to umbrella or payrolling organisations as defined in the [Platform Glossary](#).

¹² Despite digital platform work is not considered as employment relationship, we perceive it as a quasi-employment relationship referring to the fact that services providers/employees are not fully independent from the platform. Employment status of service providers is unclear which affects their working conditions, and/or the services provided involve labour law violations, tax and social security evasion, and potentially therefore involves undeclared work and/or bogus self-employment (Glossary of the Platform, 2021).

2012; Angerman and Eichhorst, 2013). This form is typical for Southern European Member States: Cyprus, Greece, Italy, Portugal, Spain, but also countries from other regions, including Romania, France Germany, Austria and the Netherlands. It is far less frequent in the other Member States, where the share of direct employment is equal or below 20% of the total employment in the PHS sector (EFSI, 2018). Direct employment generally leads to instances of bogus self-employment and unregistered employment. An exception includes France where direct employment is regulated and structured. Compared to employment via service providers (umbrella/payrolling companies), direct employment imposes barriers to professionalisation, improved working conditions and further training for PHS employees (Angermann and Eichhorst, 2013). Some placement agencies help private household managing their employment relationships by taking care of recruitment, administrative formalities and payroll on behalf of them. Nevertheless, the private household remains legally the employer of the worker.

- ▶ **Self-employment** is an alternative to direct employment. It is used to overcome the administrative burden for households and to ensure limited participation in social security insurance schemes for employees, despite self-employed pay some social security contribution of their own, with usually lower coverage and/or contributions. Self-employment is especially evident among third-country nationals, since in some Member States (e.g., Sweden, Czechia) self-employment may provide a legal means of staying in the country (Thornquist 2013, Vershinina et al 2018). There is, however, a considerable amount of bogus self-employment, especially in live-in care provision.
- ▶ **Work via digital platforms** is an emerging new form of organising work and employment opportunities which involves three categories of actors: (i) the platform (often large corporations); (ii) the PHS worker and (iii) the user/client. It is used by households on the demand side and by self-employed, unemployed or unregistered PHS workers on the supply side. Platform work prompts undeclared work in the PHS sector, unless the workers are registered as self-employed (see Section 4.4)
- ▶ **Intermediary agencies** engaged in recruitment of self-employed workers in the PHS sector may play a special role in facilitating undeclared work. Such agencies do not represent employers, but their activities are a significant source of bogus self-employment, especially in live-in care provision. Activities of intermediary agencies are especially important in cross-border activities in the PHS sector because they significantly contribute to an inflow of employees from Eastern and Central European countries and from third countries. Digital platforms may also be classified as intermediaries in the labour market, while they are not included in Table 4.1. Some intermediary agencies may however contribute to a declared form of work. This is the case when an intermediary (or a placement) agency takes care of administrative formalities and payroll on behalf of the employee in one's household.

Table 4.1 Institutional regimes and the incidence of undeclared work in the PHS sector

Institutional regime	Type of undeclared work	Example of countries
Umbrella organisations (service providers)	▶ Under-declared employment	Belgium, France, Italy, Sweden, Finland
Households as employers	▶ Undeclared employment ▶ Under-declared employment ▶ Employment of mobile workers and third-country nationals (esp. in live-in care)	Central and Eastern European countries without specific legislation on PHS sector; France, Spain, Italy, the Netherlands, Portugal, Germany, Ireland, Sweden
Self-employment	▶ Bogus-self employment ▶ Under-declared working hours	Austria, Germany, Italy
High importance of public services in the care sector	▶ Under-declared employment	Northern countries, partially also Eastern and Central Europe countries

Source: CELSI 2021.

4.2 Drivers of demand for undeclared work

PHS at home are typically needed to reconcile families' care and work activities where some of those activities cannot be carried out by members of the household themselves. The demand for PHS depends heavily on the accessibility, affordability, choice and quality of services (especially direct care services such as childcare and older persons care), whether cash-for-care benefits are available and migration regimes in the country (Da Roit and van Bochove, 2017). The demand for outsourced homecare services is also dependent on the public support of relatives undertaking such care for family members. In LTC, demand for PHS increases because of an ageing society, changing family structures, difficulties to recruit and retain formal care workforce and the preference for homecare instead of institutionalised care in most European countries.

Box 4.1. Interaction of publicly financed services and demand for PHS

"One of the consequences of the priority given to home care and community-based provision is decreased availability of residential care in several European countries in the past 25 years. European Social Policy Network (ESPN) experts from Northern countries report a significant process of deinstitutionalisation and emphasis on the development of home care (Spasova et al., 2018). In Southern European Member States (e.g., Spain, Italy, Portugal), however, there is a clear trend towards increasing the number of residential LTC beds for over 65-year-olds, due to changes in the labour market structure (more women working), increases in the pensionable age and changes in family structures and norms. In Eastern and Central European Member States, the situation is less clear-cut, with some showing a slight but steady decrease in the number of residential beds since the 2000s (e.g., Latvia) and others reporting a certain increase in the number of residential homes (e.g., Bulgaria, Estonia, Lithuania, Romania)." (Spasova et al 2018, 7). The COVID-19 pandemic has affected the rise in residential LTC beds, however, the spread of the virus in the residential facilities turned attention back to disintegrated services provided as home.

Source: Spasova et al. (2018).

Ageing increases the demand for PHS in LTC. While national policies tend to prioritise home care for elderly people, the actual accessibility of care services provided at home is limited in many EU countries (Spasova et al., 2018). This highlights the importance of public sector and community policies to ensure home care services.

In the case of live-in care services, demand is driven by families' expectations of this kind of service, which is common in Austria, Italy, Germany, yet almost non-existent in Central and Eastern European Member States.

Demand for undeclared work on the household side appears where undeclared services cost less than work performed under a formal arrangement (EFSI, 2018; Manoudi et al., 2018). Angerman and Eichhorst (2013) note high price elasticity of demand in the PHS sector, meaning that price plays a decisive role for households deciding to purchase PHS. Demand for care services is less elastic than for non-care services (e.g., cleaning, gardening), as care activities are a more ongoing need.

For households, the high tax wedge is one of the main reasons to engage in undeclared forms of employment. Another reason is the administrative burden associated with formal employment arrangements, which individual households must complete if they want to engage in formal employment. When it comes to LTC, households often face a sudden need for help, so they have, in most cases, little capacity to deal with administrative arrangements. If no specific legislation addresses households as employers or no financial stimulus is introduced for employment in PHS, households and workers have a greater incentive to engage in the undeclared economy. Non-registration is seen as a win-win situation, as the net wage paid to the employee is equal to the gross wage paid by the household (Impact project, 2016). If the PHS provision depends on households as direct employers, the incidence of undeclared work is higher. On the other hand, if quality is considered on the household side, it may be the reason to formalise the engagement of the PHS worker.

An increased presence of irregularly residing third-country nationals on the labour market may stimulate a latent demand for undeclared PHS. The main reason is their accessibility and willingness to undertake PHS jobs, even in illegal form (Spencer et al., 2010).

4.3 Supply of undeclared work

For activities that do not require specific skills and language requirements, such as cleaning and basic care activities, a low entry barrier prompts low-educated workers and foreigners to enter the PHS sector (Colombo et al., 2011). Workers in the PHS perceive it as temporary until they find a more stable job elsewhere or until their legal status changes to something more stable (e.g., permanent residency).

The supply of employees undertaking jobs as undeclared workers is thus largely made up of migrants, unemployed and low-skilled workers (Impact project, 2016). People are often motivated by the high degree of flexibility of work in the PHS sector, which attracts women caring for their own families, or workers seeking a second job. It is reasonable to assume that people work undeclared in that second job, or have social security paid elsewhere (registered as unemployed, students). Better-paid jobs than in their home countries attracts foreigners, as do low entry barriers to become a home care worker. Foreigners often perform live-in care work, increasing the precariousness of their working conditions, especially in cases of undeclared work.

An example of a driver of supply in PHS due to the above reasons is the tendency of extending au pair schemes to cover domestic and care work (formulated as cultural exchange activities) in the homes of elderly and retired people. Furthermore, the introduction of au pair remuneration being covered by public subsidy of home-based childcare in some EU Member States (for example Austria), emphasises the process of normalisation of the au pair schemes as legitimate solutions to the lack of public and affordable childcare. In turn, there is a risk of creating a dependency on this kind of often relatively cheap solution to lack of childcare and work-life imbalances for families in the EU (European Parliament 2011).

Irregularly staying third-country nationals are in a particularly vulnerable position in respect of their labour rights and safety (Box 4.2). At the same time, jobs in PHS often represent the only source of income for these workers.

Box 4.2. Migrant workers' status in Sweden

In Sweden, regularly or irregularly residing third-country nationals and EU mobile workers work for the same firms; “These practices are more likely to be found in small firms, which comprise a large proportion of the PHS sector. Undeclared work is not confined to only one migrant group, but cuts across different nationalities and migrant statuses, although a migrant status is, overall, a crucial divide in Sweden” (Hobson et al 2015, p. 30). The policy of generous tax subsidies implemented in 2017, increased demand for private care services and thus also demand for migrant care. Migrants with formal contracts experience better working conditions and employment protection as those working informally. “Many of our respondents did not take vacations but instead received extra pay, which is standard practice for hourly workers, the most common employment from among our Stockholm interviewees. Several did not take sick leaves because of the competition for jobs in firms.” (Ibid, p. 31) Undocumented workers also experience large wage differences; “those without legal permits are paid about half to one-third of the wages paid to workers with a residence permit.” (Ibid, p. 31)

Source: Hobson et al. (2015)

4.4 Role of digital platforms

Digital platform work in the PHS sector has grown rapidly in the last decade. Online platforms are increasing in popularity in the PHS sector, as they allow better matching of market supply and demand. Low regulation of platform work represents a new source of undeclared work in the PHS sector. Platform work in the sector is classified as 'on-location worker-initiated work' (Eurofound, 2018). This means that service providers/workers have relative autonomy in terms of their ability to choose the job, but if non-solicitation clauses are implemented, their autonomy decreases (Trojansky, 2020). However, rating and online reviews from users/clients integrated within the platforms mean that they are less autonomous than a regular employee or a self-employed person.

Platforms in the sector act as intermediaries, as their main role is to verify workers' reliability to perform the job-specific work and working conditions are set between the household and the worker on an individual basis (Rogers, 2016; Spitko, 2018). Platform employment can bear the signs of an employment relationship, for instance when hourly wages are set by the platform and not by the service provider/worker. Automated profiling is also up to platform algorithms which service providers cannot influence and which may discriminate. For platform work users, the platform provides easy access to an overview of available service providers/workers, with the freedom to choose according to their own preferences. Additional verification of service providers/workers' identity and references increases their reliability and may stimulate latent demand for services. Demand could be also stimulated by price determination because platforms use user data to better target specific offers at potential customers (Huws, 2019). The ease of ordering the service at a low price may stimulate latent demand and attract even more customers into the sector, increasing the incidence of undeclared work.

Regulators may view platform work as both a threat and an opportunity to decrease the incidence of undeclared work. On the one hand, platforms can improve working conditions of care workers, especially those working undeclared in the sector (Ticona and Mateescu, 2018). In Germany, for example, PHS portals are 'identified as tools that can potentially help to increase transparency of supply and demand, while also informing their customers and users about the registration process and working condition regulations' (Manoudi et al., 2018, p. 55). On the other hand, platforms may boost undeclared work in the PHS sector, for instance when workers from the formal care sector are attracted to offer their services on platforms, especially if formal employment does not provide decent payment and working conditions (Hall and Krueger, 2018). It would be difficult to force these virtual intermediaries to conclude a regular employment contract with platform users, thus a more cautious approach is applied in some countries trying to limit and control platform work (Eurofound, 2018). Efforts to regulate platform work tend to concentrate on delivery services, while the PHS sector remains uncontrolled.

France and Luxembourg use digital platforms as an incentive tool facilitating the declaration of work. Observers noted that simple and rapid declaration of work via digital platforms allowed for better understanding of the sector and the statistical assessment of relevant public policies in the Member States and at a European level. In France, the declarative Universal Service Employment Voucher (Chèque emploi service universel-CESU) system enables private employers to declare their workers on the platform. This declaration automatically generates payslips because private employers have indicated the number of working hours, wage and bonuses to be paid. For the employee, it guarantees rights to health insurance, unemployment benefits, pension, etc. When the monthly data are declared online on the CESU website, the system automatically calculates tax and social contributions, and makes a direct debit from the household's bank account.

Interestingly, the majority (about 85%) of those who supply household work via platforms are also users of these services, which indicates a relatively closed groups of users who do both – offer their services on platforms and use other services offered by others on the platforms (Huws et al., 2019; Huws, 2019). The intensity of use of platform work was estimated in 14 Member States in 2019 and found that around 8% of internet users worked via platforms at least once a month, with 6% earning at least 25% of their average wage via this type of work

(Trojansky, 2020). Even though only a minority rely on platform work as a main source of income, it should be stressed that these workers can experience unpredictable and unevenly organised working time beyond any legislative control, given that their work is largely undeclared (Huws, 2019).

Both traditional and new types of services are offered via platforms in the PHS sector. Traditional services include babysitting, LTC, household repairs and household cleaning. New types of services that emerged alongside digital platforms are ‘task-based jobs’ stemming from the commodification of consumer labour (e.g., flatpack furniture for consumer self-assembly) (Huws, 2019). The availability of platforms as mediators transforms the consumer work done in the household to a marketised type of work. The performance of these tasks is often offered on platforms by available workers. Taskers’ jobs are short-term in nature and are often a source of precarious and undeclared type of work.

The overview of platforms operating across the EU indicates that in the PHS sector, most platforms are locally operated and fragmented (Hauben et al., 2021). The sector lacks the pattern of a growing number of multinational platforms common in other sectors of platform work (often transportation). In Member States with the most developed platform economy, such as the Netherlands, the recent policy debate points to the link between platforms and temporary work agencies (Hauben et al., 2021). In fact, the discourse is shifting towards a classification of digital labour platforms as temporary work agencies, with people working through platforms then designated as temporary agency workers. If this trend reaches the PHS sector, work via digital platforms may converge with other existing forms of PHS work facilitated by agencies and intermediaries, with all the benefits and challenges associated with that type of mediation.

The local character of platforms in the PHS sector may facilitate collective bargaining more easily compared to international platforms (Høgedahl 2020). This is the case of a Danish platform where in 2018 the trial collective agreement was signed which guarantees that providers of work can decide about the employment status of the workers (employee or self-employed) if the work takes more than 100 hours. Nevertheless, platform workers in the PHS sector lack a collective voice, or – often – access to social rights, including social security and health insurance (Hauben et al., 2021).

4.5 Prevalence and forms of undeclared work in personal and household services cross-border care

Ageing, cultural changes, and the proximity of low-wage countries has created a demand for Eastern European workers in the subsector of care for elderly people in Western European Member States. That care is usually live-in, with two carers alternating at one household in intervals from two weeks to three months. The work regime for live-in carers encompasses long working hours, on-call work arrangements and blurred lines between work and free time (Bahna and Sekulová, 2019).

The main reason for PHS workers to provide cross-border care is the opportunity to earn a higher income abroad than at home (c.f. Martišková, 2020, Sedláková, 2020). This is combined with the increased demand for PHS due to a lack of available public and/or private childcare and elderly care in the receiving countries. In addition, cross-border PHS resembles a low entry sector, where qualifications are not required, or short-term training is sufficient (e.g., in care services). Migrants often enter the receiving country without knowledge of the local language, which constitutes another layer of vulnerability alongside their undeclared work status and related lack of access to social rights (Bahna and Sekulová, 2019).

Cross-border PHS is a growing phenomenon, especially in selected Member States in Western and Southern Europe, which attract PHS workers (including undeclared workers) from Central and Eastern European Member States. Cross-border care work may be associated with live-in care assistance. The reliance on live-in care

differs across the EU Member States, being more common, for example, in Austria, Cyprus, Germany, Greece, Spain, Italy and Malta (Eurofound 2020b).

Germany is one of three main destination countries in receiving care workers from Central and Eastern European Member States (next to Austria and Italy) and the employment status of live-in care workers in Germany is either posted workers or self-employed (Jaehrling and Weinkopf, 2020). Despite formalisation of the employment status, the work is heavily under-declared. Although the share of live-in care in Germany is estimated at maximum of 10% (Eurofound 2020b), it witnessed relevant developments in tackling undeclared work in PHS that can serve as a benchmark for other regulatory efforts.

In 2020, a migrant care worker from Bulgaria successfully brought a case of underdeclared work before the German court, which may be a break though decision for the sector. The first instance Berlin labour court ruled that her employer – the Bulgarian contracting agency – must pay her minimum wage for being on call 24 hours a day, back pay worth EUR 42 000. Her original contract stipulated 6 hours of work (DW, 2021). In follow up, after her employer's appeal, Germany's top labour court ruled in 2021 that workers, mostly from CEE countries, hired for '24-hour nursing', are entitled to minimum wage even while on standby (DW, 2021a). Such court rulings impact the PHS sector beyond individual cases, at least in Germany. Expected changes, however, may be not applied by German households accustomed to this model of care (DW, 2021a). Nevertheless, in Germany the court rulings occur along other policy initiatives (see Section 5).

Similar challenges to those above in the provision of cross-border care services occur in Austria, which directly borders several of the Member States from which care workers migrate to work abroad. Box 4.3 summarises the key characteristics and challenges in Austrian live-in PHS. In sum, while the examples of Germany and Austria show individual Member States' solutions to tackling undeclared work in PHS, an EU-wide approach to this issue would help streamlining country-specific responses.

Box 4.3. Live-in care work in Austria by workers from Central and Eastern European Member States

Previously, caregivers, most of whom came – and still come – from Eastern Europe, were employed illegally. In 2006, an amendment to the Aliens Employment Act turned that black market into a legal trade. The caregivers are almost always bogus self-employed and more than 90% are women. Many depend on agencies, which range from reputable to dubious. Some have their place of business abroad, where neither Austrian law nor Austrian tax liability applies.

According to figures of the Chamber of Commerce (WKO), about 62 000 personal care workers are active, although the number of unreported cases is likely higher. It is estimated that about 30 000 personal care workers come from Romania and 20 000 from Slovakia.

The industry has only recently broken free from a national culture of moonlighting but is struggling to set standards for care recipients and caregivers, given the increased demand for individual care at home.

According to the 2019 care provision report of the Ministry of Social Affairs, about 25 000 people throughout Austria make use of subsidised 24-hour live-in assistance. This form of care accounts for 5.3% of the 466 000 care allowance recipients. As the subsidy is only granted up to an income of EUR 2 500 (net), the actual number of 24-hour live-in assistance recipients is significantly higher.

A monthly subsidy of EUR 550 is available in addition to the care allowance, provided at least care level 3 has been granted and two self-employed caregivers provide care, usually alternating every 14 days.

The legal construct by which live-in care workers can officially operate in Austria is unusual. Almost entirely, '24-hour live-in assistance' at home is provided by migrant workers. This form of care was performed mainly as undeclared work before 2007. A reform then legalised such long-term care arrangements, offering carers the option of self-employment or dependent employment, and providing public financial co-funding. While the objectives of limiting undeclared work and maintaining the affordability of the system were fulfilled, the existing rules provide a legal framework that fosters unfavourable and precarious working conditions (a legacy retained from the time when such work was undeclared) as well as limited de facto access to social protection rights, due to the widely used option of self-employment.

The care model is only possible because self-employed caregivers are not subject to any collective agreements or the associated labour law regulations. Rather, they have a trade licence for the independent business of personal care and, as such, theoretically bill independently. In reality, the rates for care workers are set by agencies and the care workers are bogus self-employed.

The placement agencies closed the gap created by the difficulties experienced by non-Austrians in clarifying tax levies and insurance issues or locating patients. They also act as independent entrepreneurs, who are usually paid for their services by both the person in need of care and the caregiver.

Chamber of Commerce data show that around 62 000 caregivers and 826 intermediaries have been listed as two separate trades since 2016, paying a chamber fee of EUR 40-100 per year. The largest proportion is accounted for by the three largest intermediaries, Hilfswerk, Caritas and Volkshilfe, each with more than 1 000 caregivers. The Chamber of Commerce does not report the turnover generated by the PHS sector, but the Court of Audit (ACA) estimates private and public expenditure at around EUR 660 million.

The media has repeatedly reported on gagging contracts, workers forced to travel in shared taxis organised by the agency, and worker fraud via non-transparent collection contracts. For caregivers and those they care for, the amount of money kept by the agency and actual caregivers' fees, are unknown. The interest association of 24-hour-caregivers (*Interessensgemeinschaft der 24-h-Betreuer_Innen, (IG 24)*) notes that care workers lack discretion in organising their own working time and their tasks far exceed the work scope of personal care, thus their position is undoubtedly one of bogus self-employment. This situation also generates a significant share of under-declared work.

Source: CELSI and ICF (2021), [using local sources](#), Österle and Bauer (2015) and ESPN (2018).

The high demand for live-in care workers from Central and Eastern European EU Member States in several other Member States often facilitates labour shortages in the care and health sector in the sending countries. Many care workers are qualified nurses who can earn more working in PHS in a household in Austria or Germany than in a hospital in their home country (c.f. Bahna and Sekulová 2019). Persistent labour shortages and often unlawful working conditions of care workers in Austria and Germany have prompted cross-border initiatives to improve the working conditions of PHS care workers. In 2018, in cooperation with its Austrian counterparts, the Slovak Trade Union of Healthcare and Social Work launched an initiative to raise awareness of labour market rights among Slovak care workers in Austria. Due to the lack of personnel capacity, this initiative was short-lived, however. A more sustainable response was developed in Austria with the *CuraFAIR project*, which originally aimed to raise awareness and provide support to Romanian care workers but developed into a central contact point and networking hub for personal 24-hour care workers (*Volkshilfe für 24-Stunden-BetreuerInnen und Freiwillige*) from other countries. In addition, IG-24, within its project 'Work struggle and care' (*Arbeitskampf und Pflege*), offers individual services to care workers to tackle undeclared work, avoid under-declared work and facilitate a convergence in actual working conditions of care workers and the conditions stipulated in Austrian legislation. The project won the 2021 [Sozial Marie Prize for Social Innovation](#).

While the challenges of live-in care are widely recognised and acknowledged, cross-border coordination to tackle undeclared and under-declared work in 24-hour live-in assistance remains underdeveloped. The EU-level stakeholders interviewed for this report called for EU-level action but stressed an underlining common EU-level approach to undeclared work in PHS rather than specific policy approaches facilitating coordination and cooperation between countries (see Section 5). As Austrian examples show, initiatives to address undeclared work in live-in care tend to be bottom-up, by NGOs and self-organised interest groups demanding improvements in the working conditions of cross-border care workers.

4.6 Challenges related to the PHS sector from an EU-level perspective

Beyond factors influencing the prevalence of undeclared work in the PHS sector, several EU-level stakeholders have also been active in identifying the key drivers of undeclared work and challenges in the PHS sector. Below is a summary of these challenges, providing a balanced view from both the workers' and service providers' (employers and agencies as providers of services to households and individuals, and an organisation representing employers in the formal care sector) perspectives based on the interviews with stakeholders and Platform Members from EU Member States (see Annex; Table A.1 List of interviews).



EU-level stakeholders' view: Key drivers of undeclared work and challenges in the PHS sector

- ▶ The sector is downgraded and unsystematically supported by governments and other competent authorities. Workers have fewer options to earn state support or benefits compared to workers in other sectors.
- ▶ Limited overall regulation of the PHS sector – agencies and intermediaries are often self-regulated and unilaterally create rules for PHS workers without coordination with public authorities, employers and workers themselves.
- ▶ Lack of recognition of PHS workers by public authorities. PHS workers are overworked and underpaid, they lack professional recognition, standardisation of working conditions and access to interest representation. In addition, they face limited private spheres when working at the client's household and are themselves exposed to mistreatment or may witness domestic violence when working in someone's private household. During the COVID-19 pandemic, they lacked access to personal protective equipment.
- ▶ Prevalence of bogus self-employment (thus under-declared employment) of cross-border care workers posted to other Member States via private employment agencies specialised in brokering cross-border work, especially care workers from Central and Eastern European countries posted to Western European Member States.
- ▶ High administrative burden and lack of incentives for undeclared PHS workers to register and become declared, alongside tax obligations and bureaucratic procedures, despite a lack of recognition for their skills and qualifications.
- ▶ Isolation of PHS sector workers from trade unions as well as a lack of organisation on the employers' side by provider organisations, placement agencies and end-users.
- ▶ An unclear, blurred definition of PHS in EU-level policy debates and the need for a clear delineation of the types of services included.

- ▶ High fragmentation of different types of work in the PHS sector ranging from care to non-care type of activities, thus diverse workers' structures and policy responses – this complexity of the PHS sector is not reflected in policy debates. This refers to the unclear definition of PHS, and the high level of the sector's diversity, which prevents universal solutions for the sector.
- ▶ Language barriers and problems in communicating with governments and authorities, especially in cross-border PHS provision.
- ▶ Access to PHS in the formal economy is constrained and/or expensive for families in many EU Member States, fuelling demand for undeclared work. The COVID-19 pandemic is expected to exacerbate the growing demand for PHS– a demand that is not sufficiently addressed by government responses (e.g., access to formal/integrated care services), which will further fuel undeclared work in PHS.
- ▶ It is often problematic to define the employment relation between the employer and the employee – households as direct employers/end users do not always know their responsibilities towards their care workers (file taxes, paying dues, etc.).
- ▶ The household is not recognised as a workplace by relevant authorities; thus deterrence measures and regulations do not apply and inspections are not possible (PHS is work 'behind closed doors' – in case of labour inspections, workers fear disclosing details about their working conditions in case they lose their job; interviewees also reported that inspectors are generally not legally allowed to enter private households for inspection).
- ▶ Lack of recognition of PHS as a specific sector with dedicated social dialogue and policy discourse at EU-level.

In response to the identified drivers and challenges, the next section explores policy approaches for tackling undeclared work in the PHS sector.

5.0 Policy approaches for tackling undeclared work in the personal and household service sector

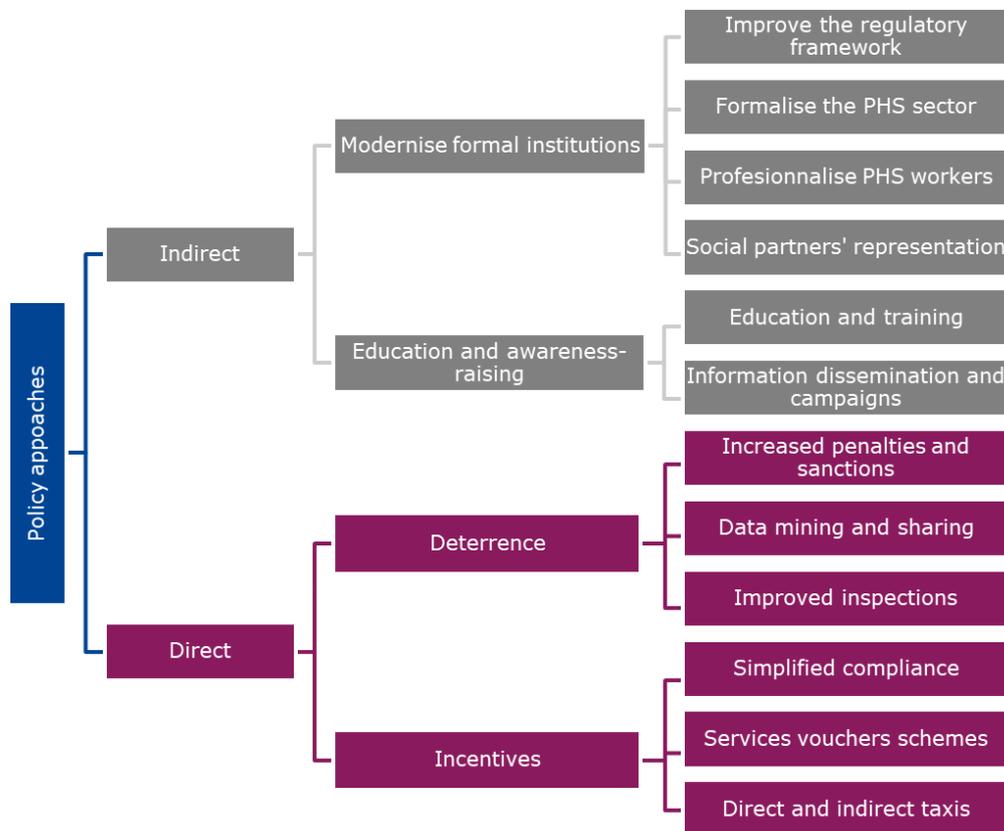
Key findings

- ▶ The EU Member States address undeclared work in the PHS sector with a mix of direct and indirect measures. Formalisation of the household care sector and information dissemination targeting PHS workers are the most common indirect measures, while vouchers, simplified compliance, and tax credits are the most frequently used direct measures.
- ▶ Policy responses prioritise incentives over deterrence measures. The measures targeting the PHS sector are applied only in Member States where undeclared work in PHS is widespread and recognised as a challenge.
- ▶ Social voucher schemes, online declarative platforms, monthly tax credit, social or fiscal incentives and household inspections show positive results in preventing undeclared work or identifying undeclared work in the PHS sector.
- ▶ A planned strategy that combines direct and indirect policy initiatives appears to be good practice in the PHS sector. Anchored in a clear legislative framework, such a strategy sets out the rules for employment of PHS workers, accompanied by information campaigns, simplified compliance, and voucher or tax credit schemes. This approach is best placed to tackle undeclared work in the PHS sector.
- ▶ In terms of other types of migrant PHS workers, i.e., posted third-country nationals, legally residing third-country nationals with a fully flexible, and restricted work authorisation and legally residing third-country nationals without a right to work and irregularly staying third-country nationals PHS workers, an EU-level solution setting out the basic rules would prevent exploitation and social dumping, as well as helping to tackle undeclared work.
- ▶ EU-level policy responses recommended by EU-level stakeholders include adopting a common definition of the PHS sector (distinguishing between the care and non-care activities), recognising the household as a workplace in EU standards, and focusing on prevention and regulation measures (e.g., combining the benefits of voucher systems from several Member States).

Previous work of the European Platform tackling undeclared work (for example Williams, 2016, 2020) showed a consensus that undeclared work is most effectively tackled through a holistic approach. Such an approach means combining direct and indirect policy approaches to create comprehensive and collaborative strategies aimed at transforming undeclared work into declared work. The direct approach seeks to reduce the costs and increase the benefits of operating on a declared basis, while simultaneously increasing the costs and reducing the benefits of engaging in undeclared work. Improved sanctions and/or the risks of detection are within the scope of the direct approach to move undeclared work into the declared economy (Williams, 2020). The objective of the indirect approach is to align employers' and workers' behaviour and attitudes with laws and regulations. Changing norms, values and beliefs about the acceptability of undeclared work, as well as establishing trust in the formal institutions, fall under indirect policies (European Platform tackling undeclared work, Glossary). The direct approach applies both deterrence and preventive measures, while the indirect approach encompasses

preventive measure only. Figure 5.1 presents the indirect and direct policies with examples of measures and practices comprising the holistic approach applied for the PHS sector.

Figure 5.1 Systematisation of policy approaches and measures to apply a holistic approach to the PHS sector



Source: CELSI (2021), based on Williams (2020).

5.1 Indirect policy measures

Indirect measures assume that people are rational economic and social actors, who engage in undeclared work when formal institutional failings lead them to adopt norms, beliefs and behaviour that violates laws and regulations, for example a lack of trust in the state (Williams, 2020). Indirect policy measures to tackle undeclared work aim to redirect behaviours and change attitudes by modernising formal institutions and raising awareness. Structural conditions (procedural fairness and justice, perceived fairness of how rewards and costs are distributed across group members, broader economic and social development) go beyond the competence of enforcement authorities. Nevertheless, the authorities operate in a broader societal context and their competences are dependent on the regulations in the PHS sector. Enforcement authorities can contribute to changing the structural conditions and thus supporting the transformation of undeclared work into declared work. The ways how the enforcement authorities can do this are multiple: they can include more prevention actions in their operational strategy, pass messages and problems to the policymakers or apply a mixture of actions and measures mentioned in this chapter.

The indirect measures relate to improving the regulatory framework at EU and national level, formalising the PHS sector, and professionalising workers. Organised representation, collective bargaining and agreements can significantly influence working arrangements in the sector, thus minimising engagement in undeclared work. Before applying deterrent measures, the most effective actions ensure that all actors have access to adequate, precise and understandable information on the legal arrangements in the sector and on the pitfalls of involvement

in undeclared work. Targeted communication and awareness-raising campaigns often accompany or precede the implementation of new regulations and appear to have a positive impact on turning undeclared work into declared work.

5.1.1 Modernise formal institutions

Policy approaches to deter undeclared work in the PHS sector should address the factors that make undeclared work arrangements attractive. If the regulatory framework does not ensure decent working conditions, with fair hours, adequate pay and social protection, it enables undeclared work. On the other hand, a clear and just regulatory framework that legitimises workers and employers and professionalises workers with labour rights and union support will turn the PHS sector into a respectable possibility of work for individuals. Regulation also improves transparency and trust: sector-wide standards and quality assurance help to ensure that PHS is safe, reliable, available and affordable, both for providers and households (Baga, et al., 2020; European Parliament, 2016).

Improve the regulatory framework

The most prominent international regulation setting out the legal basis for decent labour standards for PHS workers is ILO Convention No. 189 on Domestic Workers (ILO, 2021). The Convention recognises that the special conditions in which PHS work is carried out make it desirable to supplement general standards with standards specific to PHS workers¹³. Although some EU Member States, e.g., France, have not ratified Convention No. 189 on Domestic Workers, it succeeded in improving the situation of PHS workers.

The Convention defines a domestic worker as ‘any person engaged in domestic work within an employment relationship’. This definition includes PHS workers engaged on a part-time basis and those working for multiple employers, nationals and non-nationals, as well as both live-in and live-out PHS workers. The employer may be a member of the household for which the work is performed or an agency or enterprise that employs PHS workers and makes them available to households. Self-employed persons and independent contractors are not considered ‘domestic workers’ under the Convention. Depending on the circumstances, the Convention may be implemented by extending or adapting existing laws and regulations or other measures, or by developing new and specific measures for PHS workers. To make the Convention more effective, countries have an obligation to take measures to ensure compliance with national laws and regulations on work in the PHS sector.

The limit of the Convention is that the definition of a domestic worker excludes those who carry out PHS work only occasionally or sporadically and not on an occupational basis (European Parliament, 2016). Further, the Convention does not aim explicitly at trainees, students providing assistance in care at occasional or sporadic basis, and others, for example volunteers working for a non-profit organisation, and provide domestic services on a more permanent basis eventually part-time. This grey zone is found also in several national legislations. Another disadvantage is the low rate of transposition of the Convention into national legislation, with a similarly low rate of implementation and enforcement of the related measures.

Since its entry into force on 5 September 2013, eight EU Member States have ratified the Convention, out of which, in seven the Convention move already in force: Belgium, Finland, Ireland, Italy, Germany, Portugal and Sweden. Malta has ratified the Convention and the related regulation will come into effect on 14 May 2022.¹⁴ In Denmark, the ratification is on hold and Norway’s ratification is in progress, as well as in Spain (Olías, 2021). Reasons for non-ratification of the ILO Convention range from limited political will and the existence of national regulations for PHS workers, to the directly opposite issue that ratification would necessitate extensive legislation changes.

¹³ ILO Recommendation No. 201 (2011) on Decent Work for Domestic Workers and other conventions are also relevant. For the list of ILO conventions related to domestic workers, see ILO (2014), p. 7.

¹⁴ [See here the full list of ratifications of Convention No. 189.](#)

In Denmark, the ratification process is on hold, following opposition by both the private and public sectors employers, citing a lack of clarity in its coverage and the fear that ratification could negatively affect or disrupt the current collective agreement. In addition, labour demand was expected to decline – as the Convention includes some PHS work with very few working hours, some households would be expected to avoid PHS work and the resulting bureaucracy. The Danish regulation in place largely adhered to the spirit of the Convention, with ratification seen as prompting unnecessary changes (Mailand and Larsen, 2020).

Spain has not ratified the Convention, due to the belief that the home is inviolable and no employment inspectors should be permitted entry (AD-PHS, 2020). However, Spain faced pressures to ratify the Convention at the national level after regional efforts at ratifying the ILO Convention 189. This occurred namely in 2016 in Valencia, where the main legislative body decided to ratify the Convention upon cooperation with the Spanish trade union *Confederación del Comisiones Obreras* (CCOO) within the [Platform for the rights of domestic workers in Valencia](#).

Slovakia prepared a detailed legal analysis of the ILO Convention and decided that it is not able to ratify it as ratification would require changes in the domestic legislation, namely (1) define domestic work; (2) define domestic employees; and (3) modify provisions in the Slovak labour legislation to reflect specific characteristics of work within a household (Sedláková, 2020).

Some EU countries that ratified the Convention transposed its rules into national legislation by specific acts. In April 2013, Germany adopted the Act relating to International Labour Organization Convention No. 189 of 16 June 2011 on decent work for domestic workers.

Several EU Member States already had specific legislation related to PHS workers in place before the Convention. Austria adopted a federal act to bring regulations concerning employment contracts and to amend the Acts regarding employees and PHS workers in line with EU law. The Finnish Act No. 951 of 1977 respects the conditions of employment of PHS workers and regulates working hours (overtime, emergency work, weekly rest period, compensation), wages, termination of employment, occupational safety and registers.

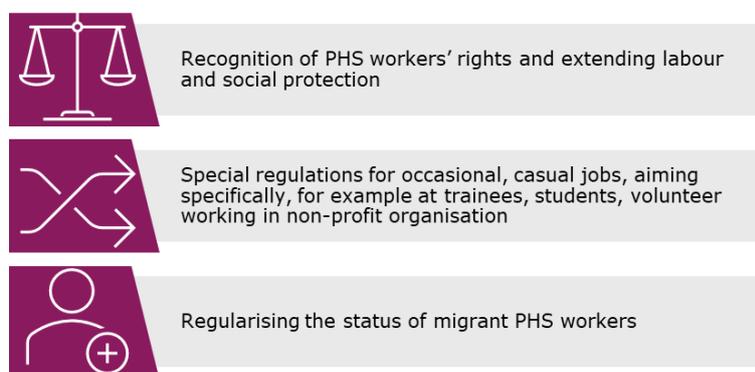
Sweden's Maids Act of 1944 was replaced in 1970 by the Domestic Work Act, which largely regulates working time for those employed by private households and covers those providing care for the elderly and people with special needs. Notably, it also applies to au pairs. Today, however, PHS work in Sweden is covered by general labour laws. This includes the Environment Act of 2009, which stipulates that the employers of cleaning, maintenance, and laundry services workers in private households must ensure a healthy and safe environment for those workers. It applies whether the employer is a company or a private household. This is overseen by the Working Environment Authority, which includes working hours, overtime, and daily/weekly rest in its standards for a healthy work environment (EFFAT, 2015).

In the Netherlands, a targeted regulation addresses special tax and social security rules applying to personal services such as house cleaning, washing and ironing, running errands, preparing meals, childcare and small household repairs. Provided that such work is undertaken by a private person for a private household (person) and does not exceed three working days per week, the employer is not obliged to pay taxes or premiums for social security. The regulation treats these workers as self-employed and are expected to declare the earnings to the tax authority. Critics argue, however, that PHS workers do not have the same rights as regular workers (Renooy, 2013). Not all the regulations targeting undeclared work in PHS have been successful. Between 1998 and 2008, the Netherlands had a special arrangement of cleaning services for individuals (RSP). The employers – generally private households through a direct employment arrangement – were motivated to hire long-term unemployed persons. The regulation was abolished, as it failed to meet its two primary objectives – to create significant numbers of new jobs for long-term unemployed people and to reduce undeclared work (Farvaque, 2015).

Formalise the PHS sector – legitimising undeclared work

Extending the scope of labour legislation and social security to cover PHS workers is a fundamental step towards formalising PHS work. It recognises PHS workers, extends labour and employment rights, and defines the rights and obligations of the employment relationship (ILO, 2016).

Figure 5.2 Approaches to formalising PHS workers



Source: ILO, 2016.

Since Convention No. 189 was adopted in 2011, many Member States have initiated legal reforms (even without ratifying the Convention), providing increased rights and better protection for PHS workers (e.g., Spain). The rights of PHS workers are progressively being set at the same level as other workers. Minimum wage, for instance, has been established for PHS workers in countries like Czechia, Estonia, France, Ireland and Portugal (ILO, 2014).

Examples of regulating occasional work were found in Italy, Germany, the Netherlands and Slovenia. In Slovenia in the 2000s, a new employment category, ‘small work’, was created for workers who were not participating in full-time employment (i.e., working up to 20 hours a week or 40 hours a month, with wages not exceeding 50% of minimum wage). It exempted the employer from drawing up a contract, provided they registered the employee for social security and wage-related contributions, and reduced the cost of health and pension contributions, which was instead covered by the Public Employment Service (PES) (Eurofound, 2013).

Italy’s voucher system (*Buoni Lavoro per lavoro occasionale accessorio*), regulating occasional labour, has been replaced in 2017 by a new administrative simplification tool called “Libretto Famiglia”. It mostly targets the regulation of “occasional work”, whereas regular PHS work is regulated by the Collective Bargaining Agreement on Domestic Work (CCNL) (INPS, 2017). All activities, therefore, unlike in France and Belgium, had to be carried out on an occasional and discontinuous basis, and only as direct employment with no role for intermediaries (European Platform tackling undeclared work, 2018c). However, the voucher-based system has gone through many reforms in the last years. In 2018 the so called “Decreto Dignita” (no. 87/2018) in Italy has amended the instrument one more time. Now parties can sign the contract for occasional work, where the worker is entitled to receive a daily wage minimum (EUR 36 euros) with a minimum threshold of EUR 9 per hour).

Spain introduced specific regulation for PHS work in 2011. Royal Decree 1620/2011 set out requirements for minimum wage, weekly and annual leave, maternity leave, and compensation for stand-by time. This new regulation put PHS workers on par with other employees in respect of wages (which must be not less than the minimum inter-professional wage), while limiting the statutory working week to 40 hours, with 12 consecutive hours’ rest. It also regulates the amount that can be deducted from wages for accommodation and maintenance. Finally, Spain incorporated social security for PHS workers into its General Social Security Scheme (Eurofound, 2013). The Royal Decree, however, is currently questioned by the European Court of Justice for excluding the

category of workers, a group overwhelmingly consisting of women, from the unemployment benefits (European Court of Justice, 2021)

Several policy measures have been adopted in Germany, focusing on improvements in the long-term care sector and expecting also an effect on decreasing undeclared work therein (see Box 5.1).¹⁵ In addition to these measures, in Germany, the mini-jobs scheme has been used to promote smaller-scale employment through a reduced level of social security contributions (for both employers and employees) and income tax, as well as a simplified worker registration form. Only employees earning less than EUR 450 per month (2013) may participate (Eurofound, 2013). While the system of mini-jobs sought to create labour market flexibility and could also serve as a measure legitimising undeclared work in PHS, it yielded a low-wage trap, where mini-jobs were used to replace regular employment contracts.

Box 5.1. German policy measures addressing improvements in long-term care, with implications for undeclared work

Germany has introduced several measures in addressing improvements in cross-border long-term care provision. In 2018, the Federal Government launched the Concerted Action for the Care Workforce (*Konzertierte Aktion Pflege*) to improve working conditions in the nursing care sector in a social consensus with the relevant stakeholders and to encourage more people to enter or return to nursing or increase their part-time work hours. The measure aims at improving the situation also in the formal long-term care sector and attracting more workforce thereto. It is thus likely to yield indirect impact also on undeclared work in the PHS sector. The Concerted Action for the Care Workforce has brought together federal and state governments as well as many other partners: nursing and training associations, the associations of nursing/care facilities and hospitals, the churches, long-term nursing care insurance schemes and health insurance schemes, associations of affected individuals, the professional body, the Federal Employment Agency as well as employers' and employees' representatives. A variety of measures have been adopted, which focus on training and skills development, HR management, occupational safety and health promotion, innovative care delivery, digitalisation, international recruitment of nurses, and pay conditions in the nursing care sector.

Inter alia, the German Federal Government established the legal foundation for better pay in the long-term care sector under the Act for Better Wages in the Nursing Sector of 29 November 2019. For one, the Posted Workers Act was amended to allow Federal Ministry of Labour and Social Affairs, following the Federal Ministry of Health, and with the involvement of 'third-option' labour law commissions, to apply collective agreements to the nursing care sector in future. Additionally, the Act makes provisions for the possibility of increasing pay in the nursing care sector overall by introducing higher wage floors.

In addition, the recently enacted Healthcare Reform Act (GVWG) introduces important steps to improve working conditions and better pay in the nursing care sector through a socio-legal approach: From September 2022, only nursing care facilities that pay their nursing and care staff according to collectively agreed wages will be allowed to provide care under the nursing care insurance scheme.

Also, several German states – namely Hamburg, North Rhine-Westphalia and Thuringia – have introduced regulations defining basic preconditions under which declared and legal forms of live-in assistance can be recognised as so-called 'everyday support services' and are therefore under these specific conditions eligible for reimbursement through long-term care insurance. Such regulations might help to reduce the amount of undeclared work in the PHS sector.

¹⁵ Please also note that the German coalition agreement for 2021-2025 also foresees the creation of a voucher system and the possibility for accompanying tax-free employer subsidies.

A further initiative, with involvement of social partners, includes the provision of financial support to counselling and awareness raising within the project 'Fair Mobility – Actively promoting the free movement of workers in a social and fair manner'. This measure has been established on 1 August 2011 by the Federal Ministry of Labour and Social Affairs, and the project is being implemented by the German Trade Union Confederation and its partners. The free service is geared to workers from other European countries and helps them assert their rights to fair wages and fair working conditions. Fair Mobility provides information on German labour and social law and initial counselling in selected native languages of the EU workers at counselling centres in 10 major cities. From 2021 on, the project is put on a permanent legal and financial footing and is expected to expand according to the interviewed German platform member. The project is not focused on undeclared work but yields implications for undeclared work in the PHS sector as it provides help and information for mobile workers who suspect or know that their work is not declared properly.

In addition, the Office for the Equal Treatment of EU Workers is currently funding a social media project which has its focus on the counselling of EU citizens moving to Germany ('Migrationsberatung 4.0'). A special part of this project is the counselling of live-in caretakers regarding working conditions (also touching indirectly the topic of UDW). The EU languages in which counselling is provided are Polish, Bulgarian, Croatian, Czech/Slovak and Romanian.

Source: Written response to a questionnaire coordinated between national ministries (see Table A.1 in the annex) (2021).

Countries with high numbers of legally residing third-country nationals without a right to work and irregularly staying third-country nationals undertook initiatives to regulate the status of these type of PHS workers. In Italy, a campaign in 2009 exclusively targeted workers in the PHS sector and sought to respond to high demand for PHS (despite the economic crisis) and to prevent the imposition of serious legal sanctions on many families employing irregular PHS workers. Under this campaign, 61% of housekeepers or babysitters, and 39% of family assistants were regularised (ILO, 2016).

Several countries formalise childcare and elder care with the aim of legitimising undeclared work in the care sector. The Prevention of Illegal Work and Employment Act adopted in Slovenia in 2000 aims to combat undeclared work through specific regulations. In 2008, the Kindergarten Act (*Zakona o vrtcih, ZVrt*) was amended to reduce undeclared childcare work. The Act defines the status of guardian in relation to children at home and stipulates that childcare at home can be carried out by natural persons who have been registered at the Ministry of Education and who satisfy conditions in relation to education and criminal record (Eurofound, 2013).

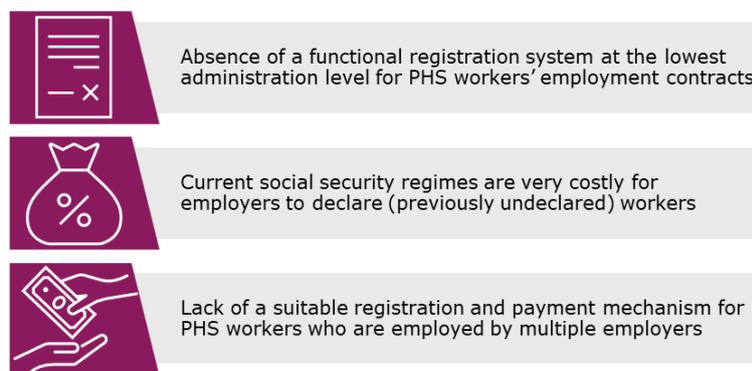
On January 2007, the Personal Autonomy and Dependent Care Law (39/2006) came into effect in Spain. It guarantees public support for people who cannot lead independent lives for reasons of illness, disability or age. The diversity of care arrangements covered by the Law create formal employment and regularise previously undeclared employment (common in the field of PHS care). It also establishes three other forms of support to increase formal employment rates and regularise other forms of (previously informal) employment. Firstly, when the available services are insufficient or inadequate to meet the needs of certain dependants, financial help can be offered for the provision of formal services. Secondly, under certain circumstances, the government will pay a grant to enable dependent persons to receive care at home. In those cases, the main carer must be registered with the social security system. Thirdly, in cases of 'major dependence', the state assures the care services provision. The dependant – or their legal representative – can choose the person to provide the care and the caring method (Eurofound, 2013).

For cost-saving reasons, many older people in Austria engage irregular foreign workers to provide private nursing care at home. To legalise this work and to make care services more affordable, the Austrian parliament sought to reform the private geriatric nursing system in 2007. Illegally operating care workers can now be employed under the terms of the Private Household Workers Act or can join the ranks of self-employed nurses (Eurofound,

2009). However, despite reducing the undeclared work, the '24-hour live-in assistance' system generates other challenges, such as precarious working conditions, bogus self-employment and under-declared work.¹⁶

The main challenges in formalising the PHS sector are that the effects of new labour standards were not simply positive or negative but had differentiated effects. Labour laws can interfere with the operation of labour markets and cause inefficiencies. Despite their good intentions, labour regulations might have unintended negative consequences, such as inadvertently facilitating more undeclared work (ILO, 2016). Users and employees continue to be engaged in undeclared work despite the presence of instruments meant to incentivise declared work. This is the consequence of the gaps and shortcomings in the existing regulatory framework, for example, the difficulty for third-country nationals to obtain work permits for PHS. Undeclared arrangements are often attractive to users and employees, as they are usually less costly. Other obstacle to formalise employment in PHS might be the limited functionality of the registration system, such as hiring a third-country national, not meeting certain pre-conditions or being employed by multiple employers and thus exceeding the income limits related to specific instrument (Baga et al., 2020).

Figure 5.3 Barriers to formalise employment in the PHS sector



Source: Baga et al., 2020, p. 17.

Professionalise PHS sector workers

Professionalisation means granting workers in particular sectors employment and social protection rights equivalent to those enjoyed by employees working under employment contracts regulated by law (European Parliament, 2016). Professionalisation encompasses a decent wage, regulated working hours, paid leave, health and safety at work, pensions, maternity/paternity and sick leave, compensation in the event of invalidity, rules governing dismissal or termination of the contract, redress in the event of abuse, and access to training. The European Parliament has called for the professionalisation of PHS work and the personal care sector through a combination of public finance (tax breaks), social finance (family allowances, aid to businesses, mutual societies and health insurance, works councils, etc.) and private finance (payment for services by private individuals) (European Parliament, 2016). The professionalisation of the PHS sector is also supported by key EU-level social partners, including EPSU, UNICARE and EFFAT, both members of the European Trade Union Confederation (ETUC). On the employers' side, Social Employers Europe, EASPD, EFFE and EFSI also support the professionalisation of the PHS sector through recognition in policy making, social dialogue and education/training of care workers.

Recent studies within the AD-PHS project¹⁷ show that care and non-care PHS work can be professionalised under two different frameworks. Care work is usually covered under social policies and financed by public funds.

¹⁶ For more information on the Austrian care services system see the Box 4.3.

¹⁷ Information available at: [AD-PHS – Advanced personal and household services](#).

Household services provided as public services or under state authorities' supervision are an effective tool to prevent undeclared or under-declared work in the PHS sector. During their interview, the Slovak Platform member noted that the low prevalence of undeclared work in the Slovak PHS sector is attributed to the fact that most household care services for elderly persons are provided under the control of the municipalities.

Household-related services are perceived as part of the agenda of employment policies aimed at creating new jobs, reducing undeclared work and increasing the labour market participation of females and migrants, including legally residing migrants and attempting to shift illegally residing migrants into a situation with a formal labour market status¹⁸. In some national arrangements, care and non-care services are delivered as overall care provided to a dependent person, and known as live-in assistance or live-in care (AD-PHS, 2021). Live-in assistance is one way to deliver PHS services to dependent persons, while in a number of EU Member States, e.g., Western and Nordic countries, this is not the predominant model of care provision.

Professionalisation of the PHS sector not only prevents undeclared work, but it also increases the quality of services, guarantees more safety in services, avoids professional burnout, recognises workers by defending their dignity and integrity and by providing them with decent work and social rights (AD-PHS, 2021).

Some EU Member States have created platforms and certificates to advance the professionalisation of the PHS workers. For example, the [French expert platform Iperia](#) develops a training offer and professionalisation tools for three types of workers: assistants to dependent people, childminders (both belonging to the care sector) and household employees (non-care sector) (AD-PHS, 2021). In Spain, the Professional Certificate in Social and Healthcare for People at Home is well known and usually required to work in companies that offer the service under institutional coverage. However, it is not usually required by families hiring workers directly. The Professional Certificate in Domestic Work has a lower level, is almost unknown, essentially useless and difficult to obtain. These certificates do not include care competencies (PRODOME, 2017a). Belgium has a stringent system of licenses to health care at home and household services, such as cleaning. The licensed service providing companies, which are the employers of the PHS workers, are anchored by a law and controlled by the ministries of the federated authorities (AD-PHS, 2020a). Austria is another EU Member State with a system of certification (Box 5.2).

Box 5.2. Austrian Quality Certificate for Placement Agencies in 24-Hour Care (ÖQZ24)

The Austrian Quality Certificate for Placement Agencies in 24-hour Care (ÖQZ24) is an Austria-wide standardised quality certificate with the aim of strengthening the situation of people in need of care and their families and contributing to a sustainable increase in personal care and support services.

To get the certificate, placement agencies need to meet certain quality standards – beyond the legal requirements. The **certification** is based on guidelines developed by the Ministry of Social Affairs in cooperation with the Chamber of Commerce and relevant stakeholders, which define the requirements for obtaining the quality certificate. The certificate is issued for three years. This type of quality assurance is voluntary – and costs the agency just under EUR 3 500. However, smaller agencies can get up to 75% of the certification costs reimbursed by the Chamber of Commerce. If a placement agency wants to obtain the ÖQZ24 certificate, it must submit a corresponding application to the Association for the Promotion of Quality in Care for Older People.

¹⁸ The studies reviewed usually do not distinguished between legally residing third-country nationals with a fully flexible work authorisation, legally residing third-country nationals with a restricted work authorisation, legally residing third-country nationals without a right to work and irregularly staying third-country nationals. The terms documented and non-documented migrant workers are applied.

The process of obtaining a certificate can take up to a year and the certificate is handed out via the Association for the Promotion of Quality in Care for Older People. Fifteen agencies have received the certificate, 15 more have already been audited and will receive their certification still in 2021, and another dozen have started the process. A list of certified agencies is published [here](#).

The quality certificate is voluntary and is intended to give placement agencies that meet higher quality standards than those required by law the opportunity to demonstrate this to an independent certification body. At present, there is no legal obligation to obtain a quality certificate for placement agencies in 24-hour live-in assistance. The legal basis for practising the trade of organising personal care is the Trade Regulation Act.

The quality certificate should also be a visible sign of high-quality standards. For example, the placement agency must contractually undertake to carry out quality assurance by means of home visits by qualified nurses at regular intervals, but at least once per quarter.

The conditions to receive the criteria are:

- ▶ To inform the carer about their rights and obligations, if necessary, in their mother tongue
- ▶ Advocate for breaks and their own space in 24-hour live-in assistance.
- ▶ Carers have a contact person they can turn to
- ▶ To provide an organisation agreement about the care work, in necessary in their mother tongue
- ▶ Provide conflict management and emergency procedures
- ▶ Check for sufficient qualifications in care of the carers
- ▶ Provide information on the arrangements of 24-hour live-in assistance for the person in need of care and facilitate the contract between the carer and household
- ▶ Check quality of care in home visits
- ▶ How long is a certified agency entitled to use the ÖQZ24?

The right to use the certificate is granted for a period of three years. After that, recertification is possible. In addition, a management review is carried out by the agencies themselves after one and a half years. In case of violation of the conditions of the guidelines for the preparation and implementation of certification according to the ÖQZ24, insolvency, serious or repeated misuse of the use of the quality certificate, the quality certificate will be withdrawn immediately.

Source: CELSI based on [desk research](#).

Critics question whether the introduction of quality certificates will push some providers out of the market in the longer term. The interviewed representative from the Professional Association for Personal Care of the Chamber of Commerce in Austria maintains that certification is the step in the right direction. However, he does not think it is necessary to introduce a compulsory quality label: 'Just because an agency does not possess a seal of approval does not automatically mean it is bad'. Finally, beyond country-specific certification efforts, the [PRODOME project](#) facilitated the emergence of a roadmap for a European certificate. This certificate profiles a curriculum design and training pathway, respecting the criteria of the European Qualifications Framework (EQF) and the European Credit System for Vocational Education and Training (ECVET). The profile of the PHS worker encompasses care and non-care services for individuals and whole families, pre-training to improve the

language level of foreign workers, and flexible modules with high transferability throughout Europe (PRODOME, 2017b).

Social partners' representation – collective bargaining agreements

Social partners are becoming more active in signing collective agreements for the PHS sector (e.g., Italy, France, Belgium and Sweden), although still in a minority of situations. In France, for example, a collective agreement that is legally enforceable established standards for PHS workers and their employers already in 1999 (ILO, 2014). Also, three collective agreements are legally binding in France, depending on the employment model (PHS-Quality, 2020). France has, however, a generous regime of extending collective agreements, which might be less attainable for other Member States.

There is considerable variation in the extent and ways in which PHS workers are represented and organised in the different countries. This is influenced by the strength of the informal economy in the PHS work sector, and whether workers are considered PHS workers or care workers. In some countries, significant numbers of PHS workers are organised as regular members of established trade unions. In Sweden and Belgium, for example, the PHS sector is comparatively well-regulated and is – to a large extent – part of the formal labour market (Basten, 2015).

Finland's services union, *Palvelualojen Ammattiliitto (PAM)*, represents cleaning PHS workers. Most PHS workers are hired via cleaning or care companies, very few directly by private households. PAM organises those in the cleaning sector, while care workers are still public employees, organised by public sector unions. All employers are responsible for providing documentation to the Health and Safety Authority on matters such as work schedule, including rest periods and overtime, and a worker or their representative may request a report on those records. The Finnish Labour Inspectorate has a general mandate for this sector, as in other sectors (EFFAT, 2015).

In France, different collective agreements exist, depending on the construction of the employment relationship between the PHS worker and employer. The most common form is direct employment of the PHS worker by the household. Latest figures reveal that in 2018, there were 863,200 PHS workers directly employed by end-users (representing 54% of all hours provided) and 450,100 PHS workers employed by provider organisations¹⁹. The *Fédération des Particuliers Employeurs de France (FEPEM)* represents private households who employ a PHS worker directly. FEPEM promotes a model based on a professional service and social responsibility, including respect for human dignity and for 'each party's rights and responsibilities' (EFFAT, 2015).

Germany has a tradition of collective bargaining. Trade union *NGG Gewerkschaft Nahrung Genuss Gaststätten* and employers' organisation *DHB Netzwerk Haushalt* negotiate agreements at federal and regional level, with agreements at federal level laying out general working conditions such as working time, rest and holidays, while the regional agreements define remuneration for different levels of qualifications. The Italian national collective bargaining agreement on domestic work (*CCNL Lavoro Domestico*) was first signed in 1974 and was last re-negotiated in September 2020. The negotiating parties were FILCAMS (*Federazione Italiana Dei Lavoratori Del Commercio Turismo Servizi*), FISASCAT (*Federazione Italiana Sindacati Addetti Servizi Commerciali Affini Turismo*), UILTuCS (*Unione Italiana Lavaratori Turismo Commercio Servizi*) and Federcolf, and the two employer associations, Fidaldo and Domina. (Assindatcolf, 2020).

Especially EU mobile workers or third-country nationals have a low representation. However, representing their interested, but also establishing multi-lingual communication towards them has the potential to support them in understanding their rights and obligations better. In the Netherlands, third-country nationals engaged in PHS

¹⁹ Evidence provided by EFSI.

work are organised in the 'United Migrant PHS Workers' group of the Federation of Dutch Trade Unions (*Federatie Nederlandse Vakbeweging*, FNV).

Trade unions contribute to preventing undeclared work in PHS through various actions and initiatives. For example, the Netherlands' FNV has a model employment contract on its website, for situations where the PHS worker works for up to three days per week. Guidance is given on what to include in such a contract, according to law and good practice, including vacation allowance and entitlement to sick leave (EFFAT, 2015). In Germany, the trade union NGS (*Gewerkschaft Nahrung Genuss Gaststätten*) engages in awareness raising campaigns in relation to PHS workers. Similar practice as an initiative from employers was found in Sweden and its [Hemfrid-Tusse](#) ('Think about what you pay') TV advert.

The representation and prevention of undeclared work through effective social dialogue has its limits, however. In some countries, PHS workers have no right to participate in trade unions or in collective bargaining depending on their employment status. (European Parliament, 2016). For example, in Slovakia, the self-employed domestic workers are not currently unionised.

Nevertheless, social partners in the PHS sector can be resourceful partners for labour inspectorates seeking to circulate information to workers and employers on the applicable legislation, identifying legislative gaps to be addressed, and analysing the complex features of the sector so that the actions of labour inspectors can be most effective (ILO, 2014). As well as monitoring, labour inspection can also supervise and enforce application of collective agreements or parts thereof, promoting compliance with clauses setting regulations for workers, such as minimum wages, maximum working periods, vocation leave, occupational safety and health, and others. In Ireland, the labour law directly specifies the right of PHS workers to organise and be represented but continuing weak representation of PHS workers in some regions and countries has not prompted good practices of labour inspection and industrial relations in the sector (ILO, 2014).

5.1.2 Education and awareness-raising

Education, information tools and awareness-raising campaigns on the benefits of declared work and the impact of undeclared work, as well as normative appeals targeting both employers and workers, should be not underestimated. Good and effectively designed campaigns can save money and capacity on deterrence and inspection later (Stefanov and Mineva, 2018).

While awareness-raising and information tools might be effective in tackling undeclared work in the whole economy, experts agree that a sectoral approach is useful. Action plans for particular sectors and collaboration with specific institutions and stakeholders from the sector in developing and implementing such campaigns are important (Stefanov and Mineva, 2018).

Education and training

Specific education and training and tools to prevent and tackle undeclared work in the PHS sector or related to PHS workers are rare. The most comprehensive module specifically targeting PHS workers was developed by the ILO in 2014. It outlines – for labour inspectors and policymakers – the main challenges that labour inspectorates will encounter when carrying out their work in the PHS sector. It provides an overview of the provisions of ILO Conventions, the most common risks of incompliance, and a collection of possible ways to address challenges (ILO, 2014).

Education or direct consultation for PHS workers is provided by NGOs, professional associations and trade unions. In Austria, the [project CuraFAIR](#) provides a networking point for 24-hour carers and care volunteers. It offers anonymous and free counselling on social and labour law issues throughout Austria and an exchange of care workers' experiences. The points operate in Vienna, Graz and Linz, via several communication channels

in German, Romanian, Slovak, Hungarian, Czech, Bosnian-Serbian-Croatian and English languages. The counselling relates to specialised training opportunities, lifelong learning, benefits from other institutions (social insurance, tax office, trade union, violence protection). The points also provide individual support in cases of specific hardship (exploitation, abuse, violence).

Another good example is from Belgium, where the [NGO FairWork](#) is specialised in providing support and defence of rights of all kinds of household personnel, au pairs and undocumented third-country nationals. The most innovative aspect of this NGO is its cooperation agreement with the labour inspectorate to handle concrete cases with success.

Information dissemination and campaigns

Information dissemination about laws is a standard function of labour ministries and other enforcement agencies. However, actions might not go beyond the simple announcement of new laws on public media. To promote compliance in PHS work, labour inspectorates often use awareness-raising campaigns, hotlines and call centres.

PHS workers' organisations and trade unions are very active in conducting rights awareness campaigns in many countries worldwide. In addition to printed information materials and radio programmes, they reach PHS workers through phone messaging, social media, and area-based fairs. Although few measures have been taken by employers' organisations, [FEPEM](#), in France, has a well-developed and detailed website. Similar campaign has been conducted by Almega (Sweden) recently²⁰.

Tax calculators are simple tools to calculate gross income or percentage of taxes and can be used in the PHS sector. Finland has used tax calculators since 2002 to encourage taxpayers to learn the correct process of calculation and raise awareness of workers' and employers' obligations. The Tax Percentage Calculator estimates whether a person needs a change in the withheld tax percentage rate where there has been a change in their labour status. The Gross Income Calculator is used in situations where the employer and employee have agreed on net wages and need to estimate the correct gross income.

The 'Chain Approach' awareness-raising campaign targeted the industrial cleaning sector²¹ in the Netherlands (Ketting approach). The campaign was an initiative of the Dutch Labour Inspectorate to tackle labour exploitation in the cleaning sector. It involved a prevention strategy focused on changing attitudes towards undeclared work within the sector, as well as awareness-raising among businesses hiring cleaning companies. Despite the campaign addressed the industrial cleaning sector, its awareness-raising impact is relevant also for the PHS sector (European Platform tackling undeclared work, 2019). The campaign affected households about their responsibilities in respect of hiring fully declared cleaning or care workers (Renooy, 2013).

A design of an information campaign consists of five essential steps to assure its effectiveness. Depending on the specific target group and aim of the campaign, each of the following steps need to be adjusted to the specificities of the PHS sector and its challenges (Figure 5.4).

²⁰ Evidence provided by EFSI.

²¹ In the Netherlands, the cleaning sector consists of cleaning activities performed at home (PHS sector) and cleaning activities performed in businesses (industrial cleaning). These are distinct sectors with different regulations, challenges, workers, and social dialogue structures.

Figure 5.4 Key features of an effective information tool targeting workers and employers



Source: Stefanov and Mineva (2018).

Special attention is needed for communications with migrant PHS workers. An effective communication would specify the group of migrant PHS workers going to be addressed in the communication campaign: EU-27 movers, third-country nationals, posted European workers or posted third-country nationals, or other groups. A communication campaign can be prepared and executed by the labour inspectorates in cooperation with dedicated state bodies and agencies, such as ministries for foreign affairs, ministries of interior, international organisation for migration and other NGOs. The European Labour Authority (ELA) can support the national labour inspectorates on any stage of this communication.



Checklist for comprehensive communication to protect migrant PHS workers' rights

- ▶ Assure that the information on labour rights and obligations are provided at all stages of migratory flow:
 - ▷ before departure
 - ▷ during stay
 - ▷ after returning to the home country
- ▶ Establish protocols between receiving and sending countries
- ▶ Protocols contain (not exhausted list) following:
 - ▷ Information on the rights of migrant PHS workers
 - ▷ Information on referral in case an assistance is needed
 - ▷ Information on return to their country of origin
- ▶ Hotlines providing information in several languages established
- ▶ Hotlines provide following information:
 - ▷ on labour rights
 - ▷ on available complaint mechanisms on prevention and deterrence measures existing within national labour inspectorates and other enforcement authorities
 - ▷ when they are in operation – inside and outside regular working hours

- ▶ Establish preliminary contact with employers recruiting migrant PHS workers
- ▶ Inform employers about the applicable legislation
- ▶ Organise training programmes for employers of migrant PHS workers on:
 - ▷ existing labour regulations
 - ▷ employers' obligations
- ▶ Establish an interview programme with employers of PHS workers before recruitment to inform them:
 - ▷ on how to best comply with the labour legislation
 - ▷ on how to avoid any risks of non-compliance
- ▶ Assure that the labour inspectors will be able to communicate with migrant workers in a language they understand
- ▶ Assure that inspectors are aware of cultural differences and deal with them sensitively. Typically, this means:
 - ▷ Inspectors need to have different language skills
 - ▷ Hire interpretation services to accompany labour inspectors whenever contact should be established with the worker
 - ▷ Use call centres or online translation tools

Source: based on ILO (2014) Labour inspection in domestic work ([Module 16](#)).

The forms and channels of the communication might comprise websites, brochures and leaflets with practical information for employers and for the migrant PHS workers of all types in relevant languages.

5.2 Direct policy approaches

The direct approach aims to reduce the costs and increase the benefits of operating on a declared basis, while simultaneously increasing the costs and reducing the benefits of engaging in undeclared work. This is achieved either by improved sanctions and/or increasing the risk of detection, or by making it easier to comply and beneficial to move from undeclared work into the declared economy (Williams, 2020). Direct policy measures also enhance the power of authorities by using either a deterrence approach and/or incentives (European Platform tackling undeclared work, Glossary). The scope of the direct approach accounts for an array of diverse deterrent and incentive measures, from penalties, compliance lists, improved detection and inspection, to simplified compliance, social vouchers and tax deductions. The following section presents an overview and assessment of the direct approach measures implemented in the EU Member States.

The competencies and role of enforcement authorities have a direct influence on application of direct policy measures in the PHS sector. Despite the diversity of national labour inspection systems in the EU countries, the ILO (2012, 2014) identified common challenges for labour inspections in detecting and inspecting undeclared work in the PHS sector:



Common challenges for labour inspections in detecting and inspecting undeclared work in the PHS sector

- ▶ Lack of mandate to enter private houses and domiciles.
- ▶ PHS work is often excluded from the mandate of labour inspection or other enforcement authority due to the self-employment status, unrecognition of the private households as workplace, etc.
- ▶ Although not excluded from the scope of the labour inspection system, labour inspectorates only cover part of the legislation, such as occupational safety and health.
- ▶ Due to the lack of resources and the reduced number of complaints, PHS work is not perceived as a priority intervention area for labour inspectorates²².
- ▶ The absence of specific methods and tools make it difficult for labour inspectors to target this sector.
- ▶ Labour inspectors are rarely trained on the specificities of PHS work.
- ▶ Difficulty in identifying private employers of PHS workers and PHS work employment relationships, as work is often undeclared or performed as bogus independent work.
- ▶ Even where a complaint is received, obtaining proof is often difficult due to the limited mandate of the labour inspections.
- ▶ No other compliance mechanism is available, with access to labour disputes resolution institutions and courts typically difficult, lengthy and expensive.
- ▶ Lack of experience how to treat cross-border occupation of PHS workers and service providers established in another Member State.

The EU-level stakeholders interviewed recommended an EU-level solution to some of these challenges. Firstly, there is a consensus that the household needs to be acknowledged as a workplace in EU-level policy. This would open the door to national policies and gradually facilitate growing competences of labour inspections and enforcement authorities to implement inspections in households. Secondly, there is a call for professionalisation of PHS workers and recognition of the PHS sector as a separate sector, with dedicated policy-making.

5.2.1 Deterrence measures

Deterrence measures detect and sanction participation in undeclared work, primarily by improving the penalties and sanctions for those caught (Williams, 2020). Deterrence measures include improving the risk of detection, including developing data mining, matching and sharing, improved inspections or joint operations of several enforcement authorities, such as migration offices, labour inspectorates and other bodies depending on the national structure of the labour law enforcement authorities.

Most labour inspectorates in Europe include PHS workers within their mandates, including Belgium, Bulgaria, Cyprus, Finland, France, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovakia, Spain and Sweden (ILO, 2012). In Austria, for example, households employing PHS workers are outside the mandate of labour inspectors but are within scope where enterprises or institutions employ the PHS worker. In

²² The shortage of resources is particularly problematic for the domestic work sector because labour inspectorates tend to allocate resources to sectors where they can achieve better results by targeting enterprises where a bigger number of workers can be approached with a single intervention and where the action becomes easier (ILO, 2014).

Sweden, labour inspectors supervise working environments and not working conditions, which are instead monitored by the social partners (ILO, 2012)²³.

Increased penalties – increased sanctions

In the EU in recent years, administrative and criminal sanctions have increasingly been used to address undeclared work, including legally residing third-country nationals without a right to work and irregularly staying third-country nationals. In Hungary, for example, a penalty exists for noncompliance with the declaration of PHS work under Act XC of 2010 on the adoption and the amendment of certain Acts in the field of the economy and finances (ILO, 2016).

The imposition of administrative or criminal sanctions for violations of labour regulations is seldom discussed in relation to PHS work. However, they often exist within labour legislation, either directly within labour codes, or indirectly, in relation to forced labour, bodily harm, and other violations (ILO, 2016).

Labour inspectors can impose notices for improvement or work stoppage in cases of serious and imminent risk for the health or safety of workers, hazardous child labour, and, in some countries like Italy, for undeclared work. Other sanctions are increasingly used for the sector, such as:

- ▶ Name-and-shame penalties, consisting of publishing the agencies' (TWA, placement agency or other type of private employment agency)²⁴ name and offences in newspapers or institutional websites; however, the privacy legislation might limit this kind of sanction.
- ▶ Blockage of bank accounts.

Withdrawal of permits and the suspension or revocation of operating licences²⁵ (in the case of private employment agencies) (ILO, 2016).

Legislative options such as the reversal of the burden of proof have proven successful in many countries for questions such as the determination of the nature of contracts, discrimination and harassment (ILO, 2014).

Data mining and sharing

To detect undeclared work, some countries crosscheck different sets of information, such as employment permits, tax records, social insurance registry, etc. The Belgian Labour Inspectorate has access to a portal to cross-check data on a worker's nationality, immigration status and registration for social security and tax purposes (ILO, 2016).

Several labour inspection services cooperate with the authorities responsible for immigration. Even where labour inspectorates are not responsible for enforcing immigration policies, they may nevertheless have an obligation to report undocumented migrant workers to competent authorities. In Spain and Portugal, labour inspectors play a role in the procedures allowing undocumented migrant workers to regularise their immigration status. The ILO Committee of Experts on the Application of Conventions and Recommendations (CEACR) has stressed that the functions of labour inspectorates are intended to secure workers' rights under relevant laws rather than

²³ Since 2008, the Swedish Working Environment Act applies to work carried out in private households, bringing domestic work within the competence of the Working Environment Authority. In addition to promote compliance with occupational safety and health legislation, the Working Environment Authority is responsible for supervising working hours, overtime, and daily and weekly rest provisions (based on the Swedish Domestic Work Act, 1970).

²⁴ See Figure 4.1.

²⁵ In some countries, PHS provider organisations are subject to a licencing process before being able to operate on the market. These licences can be withdrawn if some infringements related to labour law or social protection are identified.

concerning themselves with the lawful nature of their employment, and that workers should not be excluded from protection on account of their irregular employment status (ILO, 2016).

Improved inspections

Work performed in private households is a challenging and demanding field for labour inspectors, with few specific inspection policies, strategies, methods and tools available. Labour inspectors are rarely trained on the specificities of PHS work and household inspections (ILO, 2014).

ILO Convention No. 189 and Recommendation No. 201 establish minimum labour standards for PHS workers and highlight the importance of measures to ensure compliance with laws and regulations protecting them, including through labour inspection measures. More specifically, Article 17 of Convention No. 189 states: *'In so far as compatible with national laws and regulations, such measures shall specify the conditions under which access to household premises may be granted, having due respect for privacy'*.

Access to the workplace is the main challenge to fieldwork and inspections by enforcement authorities, as private households are not considered normal workplaces. This point was reiterated in the interviews with both national and EU-level stakeholders. The stakeholder from Italy remarked in the interview that families hiring a PHS worker are employers but are formally considered a special employer with few if any duties compared to other employers. The Slovak expert on Slovak live-in care workers in Austria noted in the interview that there is a long-term request to expand the definition of a workplace to private households with PHS workers. Similar claims were raised by EU-level stakeholders EFFAT, EPSU, and UNICARE.



Key barriers to enforcing labour standards in private homes

- ▶ Private homes often fall outside the scope of actions of labour inspectorates because of legal limits on house inspection visits.
- ▶ The conditions and procedures for carrying out labour inspections may not be defined, and labour officials may not be prepared to undertake them.
- ▶ Trends on the coverage of PHS work under the mandate of labour inspection are difficult to establish by region. In the EU, most labour inspectorates include PHS work within their general mandates (e.g., Belgium, Bulgaria, Cyprus, Finland, France, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovakia, Spain, Sweden), but not all elements of working conditions are addressed.

Source: ILO, 2014.

PHS workers in Europe are, to a large extent, EU intra mobile workers as well as third-country nationals. The language barrier to file a complaint or to understand the requirements of the labour force authorities has been identified in many countries²⁶. To overcome the communication challenges and language barriers, Ireland relies on inspectors fluent in Lithuanian, Russian, Polish, French, Czech and Slovak, with interpretation services also available. In Finland, some Estonian and Russian-speaking inspectors are specialised in the inspection of premises with a foreign workforce (ILO, 2012).

The following home inspection practices have been identified among inspectorates:

- ▶ Law 36/2011 in Spain, regulating the labour jurisdiction, provides that the Inspectorate General of Labour and Social Security may, in addition to checks related to fundamental rights or freedoms, request judicial

²⁶ For example, the Slovak live-in care workers in Austria (interview with the Slovak expert).

authorisation to inspect home premises if the owner refuses or if the risk of such refusal exists, provided that the inspection is related to administrative procedures that can subsequently be brought to the social jurisdiction (ILO, 2015). In 2012, the Spanish Labour Inspectorate carried out a campaign to combat irregular employment in the PHS work sector. It undertook 566 inspections over eight months, with 160 cases taken to court that resulted in fines for the employers. If labour inspectors find that a worker has been employed for over six months without a proper contract, they have the authority to prepare a document confirming the existence of an employment relationship. This can help irregularly staying third-country national workers to regularise their migration status and obtain a work permit (EFFAT, 2015).

- ▶ In Ireland, a special National Employment Rights Agency (NERA) was created in 2007 to secure compliance with employment rights legislation, including in the PHS work sector. NERA piloted an approach whereby employers are asked, via letter, to give labour inspectors access to the household for a visit. If this is refused, the employer has to provide an alternative place for the meeting (ILO, 2015). The case combines preventive measures and inspections, using multilingual material and specific guidance for inspectors on PHS work cases (see Box 5.3 and Table A.3 in the Annex).

Box 5.4. Good practice from Ireland

Inspections of private households were launched as a pilot project in 2014. The practice was since implemented at national level. The key objectives of the measure were to:

- ▶ Communicate the message that PHS workers are employees with rights and entitlements (e.g., right to receive a national minimum wage).
- ▶ Access and inspect sites of PHS employment.

In order to conduct proactive inspections, the Irish Labour Inspectorate (Workplace Relations Commission, WRC):

- ▶ Utilises employer data from a variety of sources, including Revenue, Social Protection and other state bodies to identify employers in risk sectors, including PHS work arrangements.
- ▶ Based on that, inspectors require owners' permission to enter a PHS premise. To limit the risk of refusal, the inspectors issue a standard appointment letter.

The approach proved successful in securing access to PHS premises, with 70-80% of requests granted. It was also successful in educating both employers and employees with respect to labour law requirements in PHS settings. Figures from 2011 to 2016 show that:

- ▶ 77% of inspections took place in the private home and 11% in accountants'/solicitors' offices.
- ▶ Only 20% of cases were recorded as 'live-in' workers.
- ▶ As to the nationalities of the PHS workers inspected, 61% were Irish, 18% were Filipino, and over 13% were other European.

The following breaches of law were detected: 22% of employers – no breaches; 61% – breaches of the Organisation of Working Time Act; 8% – did not provide payslips; 5% – no written terms and conditions of employment; 3% – issues with minimum wage. Almost EUR 9 000 was recovered in wage arrears. There were no identified cases of employment permit law abuse.

Source: European Platform tackling undeclared work (2018a). See also Table A.3 (Annex).

Germany can be considered another good practice where based on the experience of various agencies involved in combating undeclared work, the legislative authority has normed the sectors particularly affected by undeclared work and illegal employment (see Box 5.5 and Table A.3 in the Annex). Sectors particularly affected include, for example, construction and construction-related industries. Therefore, the focus of inspections by the competent authority (German Customs Administration's unit for the financial control of undeclared work; FKS) is put on these listed sectors.

Box 5.5. Good practice from Germany

The PHS sector is inspected in a risk-based manner. For example, information on the identification of conspicuous operational structures is considered within the framework of the FKS (German Customs Administration's unit for the financial control of undeclared work; FKS) risk management. With the internal information portal *Risk Management FKS*, a platform for the communication and provision of risk-relevant facts within the FKS is available.

In its inspection approach, FKS takes a preventative and a deterrence approach, focusing also on related education.

An important prevention tool are sector-specific alliances between various industry associations and unions. By entering an alliance to combat undeclared work and unlawful employment, the alliance partners make clear that they, too, are unwilling to tolerate undeclared work within the sectors that they represent. The alliances also illustrate that there is a growing consensus within wider society that undeclared work and unlawful employment have far-reaching negative consequences for the state's and the social security systems' capacity to act.

Special and unannounced inspection with a high staff deployment is also part of the prevention strategy against undeclared and illegal work, as well as informing the public, employers and employees about public relations (e.g., zoll.de, flyer).

Undeclared work and illegal employment are usually punishable in Germany and are prosecuted by the FKS as the prosecuting authority. The FKS also determines and sanctions administrative offenses.

The FKS is provided with operational guidelines, checklists and scripts for interviews during inspections. Furthermore, a new software application is implemented. The FKS is also authorised to check people's identity based on documents they carry with them (e.g., passport, identity document, residence permit). Since February 2020, efficiency has been increased through the implementation of document-checking systems across all FKS locations.

The Federal Employment Agency (BA) as well provides various internal instructions / work aids / IT products supporting the prosecution of the abuse of social benefits. The Federal Employment Agency pursues administrative offenses with regard to registered employment relationships, e.g., when people knowingly provided incorrect or incomplete information when submitting an application or did not report significant changes in the circumstances or did not report them in good time. The BA can only gain knowledge of unregistered employment if it is reported by a third party. 1 325 employees are available to the Federal Employment Agency and joint facilities in the field of administrative offenses. However, there is no particular focus on undeclared work in the household sector.

Regarding undeclared live-in assistance, technical standards (DIN SPEC) such as voluntary guidelines for placement agencies which can then be certified by independent inspection companies can offer consumers

helpful guidance where to find legal live-in assistance workers. Information provided by consumer protection organisation offer additional orientation.

The above work of FKS is facilitated and enabled by its capacities. As of 1 January 2021, the FKS had 7 339 permanent staff members (in total, without specific reference to the PHS sector). The equipment, in particular the technical infrastructure of the FKS, is being improved with the implementation of a new specialist software application, that assists the FKS to carry out auditing, investigative, sanctioning, case-processing and evaluation tasks in their day-to-day work. The total annual cost of the FKS is around EUR 500 million.

Source: Written response to a questionnaire coordinated between the national ministries (2021). See also Table A.3 (Annex).

Several countries outside the EU can provide some good examples to benchmark with practices in the Member States. In Uruguay, Law No. 18.065 sets out that household inspections can be conducted in the face of a presumption of non-compliance of labour or social security law, for which a warrant shall be issued by the court of first instance. Within 48 hours of intervention, a report shall be sent to the court. Uruguay set up a specialised section to monitor compliance with PHS work legislation (ILO, 2015). In Ecuador, an ex-officio action, such as the organisation of visits to selected neighbourhoods, is organised to identify abuses, particularly undeclared PHS work. The South African Labour Inspectorate uses a calling card system, which consists of distributing letters that request employers to grant access to their households. Response rates have been low to date, however. Inspectors carry door-to-door campaigns to secure appointments (ILO, 2015).

5.2.2 Incentives

Incentives are preventive measures that make it easier to undertake and reward declared work (European Platform tackling undeclared work, Glossary). It is also called an enabling approach, as it focuses on removing barriers to the formalisation of jobs and strengthening the benefits of formal jobs (ILO, 2016). The enabling approach focuses on facilitating and encouraging compliance.

Measures used include purchaser incentives (social vouchers, targeted direct taxes, targeted indirect taxes), and supplier incentives (society-wide amnesties, voluntary disclosure, business advisory services, support services). Other categorisation highlights the enabling approach: (a) reduction of financial costs implied in formal arrangements; (b) simplification of procedures to cut transaction costs (ILO, 2016). These strategies are often combined.

Simplified compliance

Complex, lengthy bureaucratic procedures mean high transaction costs for employers and workers, are not easily accessible for low literacy populations or workers with missing language skills and discourage those unfamiliar with administrative offices. Simplifying administrative procedures is thus an important way of helping and motivating parties to comply with regulations and formalise their employment arrangements (ILO, 2016). The following are some ways to reduce the administrative burden of formalising employment on both employers and PHS workers.

The Mini-job Centre (*Minijob-Zentrale*) in Germany addresses the increasing importance of digital platforms in the PHS sector. The measure targets consumers and suppliers of household services (only private persons, no companies, dependent employment) and private household service platforms. As the authority responsible for registering minor employment, the Centre implemented an online household service platform that also provides employment registration advice. It plans to simplify the mini-job registration process to react to the growing

importance of online job placement, including through cooperation with private household service platforms (e.g., *betreut.de*) (European Platform tackling undeclared work, 2018b).²⁷

A simplified employment measure in Hungary targets seasonal work in agriculture but could also be used for temporary/intermittent casual work in all sectors, including PHS. The aim is to legitimise employment by facilitating employment notifications, reports and payments through an electronic notification tool. The measure is backed by the Simplified Employment Act, which aims to increase legal employment while making it easier to conduct labour inspections. For domestic work, the employer pays a flat rate daily tax regardless of hours worked and actual wage paid. By entering codes into a text message or the internet-based client gate system, all notification, reporting, and payment obligations can be fulfilled at once. However, as per Act XC of 2010, which regulates the employment of PHS workers, the registration of PHS workers in the system does not entitle workers to social security benefits or healthcare (ILO, 2016, p. 43).

Luxembourg's simplified registration of PHS workers was introduced in 1999. Under that system, the employer pays the net wage to the PHS worker, fills in a single declaration, and sends it to the social security institution, which directly calculates the gross salary and collected the contribution from the employer. Every month, a declaration is sent to both parties in the employment relationship, setting out what has been paid. The worker receives a similar statement every six months (ILO, 2016).

In order to make it easy for employers and workers to comply with regulations, countries have often **developed guides or instructions** on how to conclude an employment contract and calculate the social contributions. These can be found on the sites of the labour ministries, together with detailed explanations of the relevant laws. Some include the precise formula for calculating wages and various social contributions. This is the case, for example, in Portugal, where the guides are structured in a question-and-answer format or a checklist (ILO, 2016).

Template contracts and payslips are other measures to simplify compliance with declared work. Drawing up a contract that reflects all elements of the labour legislation can be burdensome to an employer. Many countries, such as Netherlands, Spain, and Belgium, have developed template contracts to simplify the need to draw up a contract for PHS workers. In other countries, the authorities have also drawn up template payslips. These can often be found on the competent authority's webpage (ILO, 2016, p. 44).

Mediation and facilitation to solve complaints and conflicts between responsible agencies and institutions regarding employment of the PHS workers can be applied. A good example on this tool is Belgium, where the Labour inspectorate, the Ministry of Foreign Affairs and the Social Security Agency organised mediation with embassies to solve complaints and conflicts regarding PHS workers working for private households of staff of consulates and embassies. Especially domestic workers in diplomatic households often face the risk of undeclared work and exploitation, because diplomatic delegations can act with impunity (EFFAT, 2015). The administrative commission chaired by the labour inspectorate can even put pressure on an embassy to comply with labour regulation and paying social contributions by the staff/private employers. This happens for all embassies situated in Brussels. Refusal may lead to official diplomatic measures towards the country concerned. The system can be successfully applied (based on suggestion of an expert on undeclared work in Belgium).

Service voucher schemes

Service vouchers to be used for PHS purchases are the most frequent demand-driven measure to prevent undeclared work in PHS. These vouchers formalise employment relations by prompting households to register

²⁷ Although declared, mini-job workers are granted limited social protection benefits. The system is meant to formalise PHS work but only on an occasional/part-time basis.

PHS workers and pay social security contributions via simple registration and tax rebates that make undeclared work more expensive for the purchaser.

Voucher schemes have varying government subsidy or subvention levels, all intended to reduce undeclared work, with varying degrees of success. Service voucher schemes can be categorised into two broad types of system: social vouchers, which are used by households (Belgium, France, Austria, *ergosimo* in Greece and the new *libretto famiglia* in Italy) and enterprise vouchers, used by companies (Croatia, the old Italian system and the new *contratto di prestazione occasionale* in Italy) (European Platform tackling undeclared work, 2018c).

According to EFSI, the social vouchers programmes should be distinguished from the “declarative and remuneration systems”, which are termed “vouchers” or “checks”. These should be considered more as simplified compliance mechanisms (AD-PHS, 2021b).

Although all these instruments share with social vouchers the objective of easing domestic workers’ formal employment, they differ in that they do not carry a right for an individual to receive services and are not necessarily combined with:

- ▶ the guarantee of labour and social rights for PHS workers similar to those of regular workers;
- ▶ access to specific social and fiscal incentives. When users are granted social and fiscal incentives – such as a tax credit – for purchasing PHS on the formal market, access to these incentives is not necessarily bound by the use of a specific instrument for the declaration of PHS workers.

On the contrary, social vouchers fall under and should be used in compliance with a specific national fiscal and/or social framework. Furthermore, “declarative and remuneration systems” are used only by end-users who are directly employing their domestic workers enabling them to easily declare them and to meet their obligations towards social security bodies (AD-PHS, 2021b).

Austria introduced household service vouchers in 2005. These are used by households to pay for personal and household services (childcare, gardening, cleaning, etc.). This scheme aims to curb undeclared work, improve the social protection of workers in the PHS sector, and increase employment opportunities. People who perform services like cleaning, shopping, gardening or childcare in other people’s households receive household service vouchers as compensation. The service user can buy the vouchers at post offices, tobacco shops, or online. When using the household service vouchers for the first time, the employer and employee must register online or fill in a supplementary sheet. After the work has been done, the employer fills in the household service voucher with social security numbers, names, day(s) of employment for both the employer and worker. The worker receives the household service voucher immediately after the work is completed and submits all vouchers to *Versicherungsanstalt für Eisenbahnen und Bergbau* (VAEB)²⁸ at the end of the subsequent month via post, in person or online. VAEB then pays the amount of the household service vouchers via bank or postal order. It targets voucher workers on low incomes below the EUR 438.50 monthly marginal income threshold (plus holiday compensation and special payment)²⁹. With the additional income from vouchers, PHS workers can earn up to EUR 600. The voucher is worth EUR 10 and includes accident insurance. The value of the vouchers sold has increased from EUR 900 000 in 2006 to EUR 10 million in 2017, with a sharp increase after it was changed into an online system in 2011 (European Platform tackling undeclared work, 2018c). The social vouchers could be considered also as a simplified compliance measure.

²⁸ The Insurance Association for Railways and Mining Workers (*Versicherungsanstalt für Eisenbahnen und Bergbau* –VAEB) is responsible for the implementation of the scheme.

²⁹ Each employee can earn up to the limit of EUR 438.05 per month (plus holiday pay and pro-rata special payments), otherwise he/she is compulsory insured, and has to pay for health and annuity insurance 14.7%.

The voucher system also exists in other EU Member States. For example, in Belgium, the voucher system is more inclusive and covering all workers (see Box 5.6 and Table A.3 in Annex).

Box 5.6. Good practice from Belgium – service vouchers (*titres services*)

On 1 January 2004, the Belgian federal government launched a system of service vouchers to boost job creation by promoting the demand for PHS and proximity services and to offer an alternative to the local employment agencies' scheme. The service vouchers aim to allow a user to pay a registered company for household tasks. The target group is unemployed people who find it difficult to get a job, including those drawn to undeclared work.

Objectives of the scheme are to:

- ▶ Create new jobs, particularly for low-skilled workers – the target was 25 000 additional jobs by the end of 2007.
- ▶ Provide an incentive to move from undeclared work to a regular job in economic sectors where undeclared work is common.
- ▶ Offer specific categories of unemployed people who perform service jobs for the local employment agency (local employment agencies' workers) the opportunity to potentially move towards regular employee status.
- ▶ Improve the work-life balance of service users by making it easier to outsource PHS work.

Evaluation and outcome:

- ▶ The number of jobs created doubled between 2006 and 2013, from 62 000 to 150 000 workers. In 2016, there were 140 171 workers in the system (3,1% of Belgian active population) (IDEA Consult, 2018).
- ▶ 35% of integrated workers were unemployed.
- ▶ 45% of workers admit that the service voucher was a way out of undeclared work, while 25% of users said that without the service voucher system, they would have used undeclared work.

Success factors:

- ▶ A large proportion of the final cost for the user – up to two-thirds – is borne by the state;³⁰
- ▶ The measure was simplified for users and companies when electronic service vouchers became available.
- ▶ The scheme facilitated improved organisation on the side of employers, and this has led to the development of collective bargaining with trade unions.
- ▶ The obligation of approved enterprises to hire a quota of unemployed jobseekers and welfare recipients (60%).

Source: European Platform tackling undeclared work (2018d) and EFFAT (2015). See also Table A.3 (Annex.).

France's 'Universal Service Employment Voucher' (*Chèque emploi service universel* – CESU) is universal but targets active households and older persons in need of household and care services, as well as parents with childcare needs. One of the objectives is to reduce undeclared work by facilitating the employment of home-

³⁰ The total gross cost when taking into account direct earn-back effects, this cost remains relatively moderate (EUR 1 billion, or EUR 10 000 per full-time equivalent job). It was estimated in 2016 that in 2016, the cost to public authorities for a FTE job in SVS was estimated at EUR 25,354 per year. However, each FTE jobs generated an additional revenue of EUR 24,151.

based workers and providing legitimate ways of working in household services. In 2017 (data as of Q3, 2017), some 1.9 million people employed around 600 000 CESU workers; 119 million hours were worked, amounting to a total value of EUR 1.2 billion. Thus, in this period, employers had on average purchased 62 hours of CESU and spend EUR 624 (European Platform tackling undeclared work, 2018c).³¹

Italian labour vouchers (*buoni lavoro*) were created in 2003 in the context of a larger labour market reform law to promote inclusion in the labour market and tackle undeclared work. The value of one voucher was EUR 10 and it could be used by families, enterprises, agricultural enterprises, not-for-profit organisations and public employers. The labour vouchers have been abrogated, but in June 2017, the Italian parliament approved Law-Decree no. 50/2017 to introduce new provisions governing voucher-based work. It now covers only occasional work.³² The family booklet (*libretto famiglia*) for private individuals to pay workers for PHS (including gardening), care services, and private teaching is relevant for the PHS sector. New income limits have been introduced – each worker can receive income of no more than EUR 5 000 annually from all of their employers combined, while each employer can pay wages maximally EUR 5 000 annually to all of their workers combined. Each worker can receive no more than EUR 2 500 annually from any individual employer. Every voucher of Libretto Famiglia costs EUR 10 to the non-professional employer eligible at using them, but only EUR 8 out of 10 go to the employee (while the rest both compensates the service, and go to the social security/insurance obligations). (European Platform tackling undeclared work, 2018c). In terms of non-EU citizens only legally resident in Italy and within six months from the beginning of unemployment are entitled to work under the voucher system (European Platform tackling undeclared work, 2018c). At the same time, the Family booklet serves as a simplified compliance measure.



Key good practice features of service voucher schemes

- ▶ Guarantee PHS workers the stipulated minimum wage and social security coverage.
- ▶ Channel financial incentives and government subsidies to the target populations.
- ▶ Simplify the administrative procedure of registration and declaration for private households, employers and workers (ILO, 2016).
- ▶ Contribute to prevention of labour exploitation of migrant PHS workers, as the vouchers are usually only available to legal migrants with work and residence permits.
- ▶ ‘Earn-back’ effects of formalising jobs (often forgotten) included:
 - ▷ increased social security contributions and income tax revenues,
 - ▷ reduced payment of unemployment benefits,
 - ▷ new management jobs in service providers,
 - ▷ increased consumption due to an increase in employment.



Challenges of social voucher schemes

³¹ The CESU - *Chèque emploi service universel* differs from the pre-financed CESU (Chèque Emploi Service préfinancé) which is a social voucher that enables a third party to prefund the purchase of PHS. It is used either by companies to ease their employees’ work-life balance (HR CESU) or by local authorities and social agencies to distribute social allowances (Social CESU) (Information provided by EFSI).

³² More detail on the new vouchers scheme available at <https://www.businessonline.it/articoli/costo-voucher-per-lavoro-occasionale-costo-lordo-per-datore-e-valore-netto.html>

- ▶ They require relatively high financial and fiscal incentives (can be compensated by the 'earn-back' effects).
- ▶ Available assessments in the EU pay greater attention to formal job creation and the reduction of undeclared work rather than quality of jobs.
- ▶ Capacity to assess effects is sometimes constrained by the lack of information about the profile of households that use the schemes and PHS workers employed under these schemes.

Targeted direct and indirect taxes rebates

Another direct and preventive measure are tax rebates that reward employers/households for compliance with the regulatory framework. They reduce the cost of formalisation by increasing financial incentives. The direct and indirect taxes rebates could (1) support specific or wide-ranging activities; (2) support particular groups of employers; (3) target particular types of employment contracts; (4) support companies as service providers (ILO, 2016).

A tax rebate can take the form of a reduction in the amount of payable tax, or an amount that is paid back to consumers as tax relief. This is more common in Northern than in Southern Europe and is an alternative to the use of service vouchers (Williams, 2019).



Pre-conditions to assure effectiveness of tax rebates

- ▶ Focus on the whole PHS sector or particular sub-sectors where undeclared work is most prevalent.
- ▶ Level of the tax rebate needs to be sufficiently high to ensure that engaging in declared transactions outweighs the benefits of sourcing from the undeclared economy, to make it interesting to the individual to use it.
- ▶ The systems in place to report the transaction to the enforcement authorities, as well as the management tools used by authorities, are made as easy as possible to use (e.g., by using digital solutions and self-declarations).
- ▶ Pilot actions on tax rebate schemes tailored to the national context and need.

Source: Williams, 2019.

Examples of tax rebates used in the PHS sector include **the Boligjob Plan (the 'private family residence/job' initiative) in Denmark**, starting as a pilot in 2011, allows a private individual (i.e. registered tax-payers with residence) to receive a tax rebate as a deduction on their taxable income (self-assessment) for expenses related to services in the private household, such as house cleaning, child-care, garden work, home repair, maintenance or amelioration work (only in private residence). Key characteristics:

- ▶ The reduction is limited to the 26% of the value of the wages – not material costs (e.g., expense of EUR 800 gives back approx. EUR 210).
- ▶ Can only be applied if the company is registered in Denmark.
- ▶ The beneficiary is obliged to use electronic payments (and store the bill) and to report electronically to the tax authority (by self-assessment).

- ▶ The scheme proved to be popular, with the number of people using it increasing from 360 000 in 2011, to 570 000 in 2015, whilst the costs of reimbursing the 26% of the value of wages increased from EUR 147 million in 2011, to EUR 213 million in 2015.
- ▶ In 2015, new conditions were introduced with a focus on green refurbishments (e.g., new windows, roof insulation) and broadband/Wi-Fi and alarm installation.
- ▶ The deduction was reduced to a maximum per annum of EUR 800 for services (e.g., house cleaning, baby-care, garden work) and EUR 1 650 for home maintenance and improvement, but still with 26% of the costs being reimbursed.
- ▶ The result was that in both 2016 and 2017, 425 000 have used the scheme with EUR 106 million reimbursed each year.

Through **two tax deductions (ROT and RUT) for consumers in Sweden** around 5 million applications a year are made with a total amount of around EUR 1.5 billion annually paid out to businesses by the Tax Agency. The customer gets the deduction on their income tax return. The RUT that applies to household cleaning, maintenance and laundry allows a deduction of 50% of the labour cost up to EUR 2 500 per year and can be used by everyone over 18 years old. As from January 2021, this maximum ceiling has been increased at SEK 50.000 (EUR 4.972) per person and per year and SEK 75,000 (EUR 7.458) for people older than 65³³. The ROT (covering repairs, conversion and extension) allows a deduction of 30% of the labour costs up to EUR 5 000 per year for repairs, conversions and extensions, and can again be used by everyone who owns a household or apartment and is over 18 years old.

Tax credits for PHS help in Finland

Starting in 2001, the tax credit for domestic help allows taxpayers to deduct part of the amount paid for certain work done in their home or holiday home³⁴.

- ▶ Taxpayers are entitled to a credit (deduction from tax) in their taxation for the costs for household work, nursing or nursing care, as well as maintenance or refurbishment of a home or a second residence.
- ▶ The deductible costs are limited to labour costs only, not goods and materials and travel costs.
- ▶ All Finnish residents with taxable income can deduct 15% of wages and all employer social contributions for directly employed workers and 40% of expenses for services purchased from a provider organisation. The maximum annual deduction in 2021 was EUR 2,250 (AD-PHS, 2021c).
- ▶ Spouses living in the same household can both have the maximum deduction.
- ▶ Underage children are entitled to the deduction if they have income of their own and they pay the work costs themselves.
- ▶ If a spouse does not have enough income tax, the unused part of the deduction can be transferred and deducted in the other spouse's income taxation.

The number of taxpayers who use the deduction has multiplied since its introduction. The total deduction in euros increased by 22% and the number of taxpayers by 11% in 2014-2017 (Williams, 2019).

³³ Information provided by EFSI.

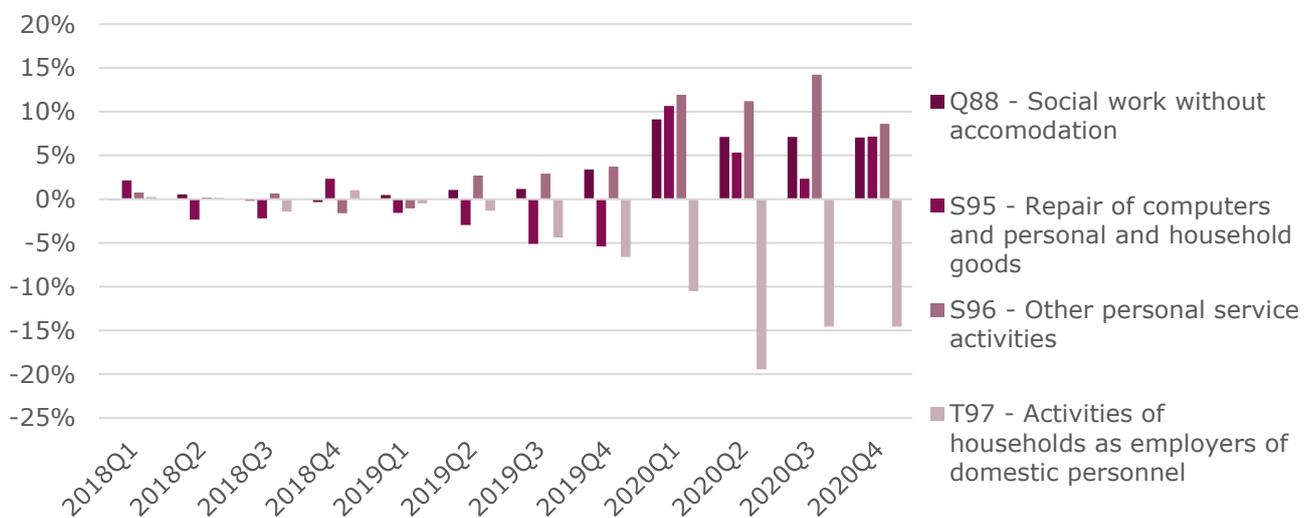
³⁴ The current system is based on experimentation with two different pilot systems: a business support model in western and eastern parts of Finland, and a tax support model in southern and northern parts of the country. Although both systems were used to similar extents, the business support model required more administrative work and was therefore more expensive to the State, so the tax support model was adopted (Williams, 2019).

In addition, other countries are using tax reduction in the PHS sector. **Luxembourg’s tax reduction scheme** covered the purchase of housework services and care services for dependent persons or childcare, up to a maximum rebate of EUR 3 000 per year, not to exceed EUR 300 per month (ILO, 2016). **In France**, PHS users benefit from a 50% tax reduction or tax credit up to EUR 12,000 per year on amounts paid for PHS regardless of the work arrangement at stake. Households with dependent children or dependent people can benefit from a higher threshold ranging from EUR 13,000 to EUR 20,000 per year. Similarly, lower threshold for some activities such as gardening (EUR 5,000), IT assistance (EUR 3,000) and small repairs work (EUR 500) apply. In January 2022, the government has launched an immediate advance of the tax credit, enabling PHS users to pay only 50% of the cost of services at the time of purchase while the other 50% will directly be covered by the State. Managed by the Social Security and Family Allowance Contribution Collection Offices (Ursaff), the system will be progressively deployed to all PHS activities/employment models by 2024 (AD-PHS, 2021d).

5.3 Policy approaches during the COVID-19 pandemic

Changes in PHS employment during the COVID-19 pandemic vary considerably. Figure 5.2 shows a decline in activities of households as employers of PHS workers. That decline had begun pre-COVID-19, with its lowest levels in the second quarter of 2020 and stabilising in the third and fourth quarters of that year. At the same time, other types of activities in PHS (social work without accommodation, repair of computers and personal and household goods, and other personal service activities) experienced growth, albeit without a clear pattern across the four quarters of 2020.

Figure 5.3 Changes in PHS employment during the COVID-19 period, 2020



Source: CELSI 2021, based on EU-LFS 2019 and 2020 and EWCS 2014.

The COVID-19 pandemic saw further deterioration in the working conditions of PHS workers, irrespective of whether they worked in declared or undeclared work. In March 2020, in the early stages of the pandemic, 37% of PHS workers from Northern, Southern and Western Europe were significantly impacted, with reduced working hours and loss of jobs (ILO, 2020). The proportion fluctuated over time, depending on the timing and extent of lockdown measures. The impact peaked at 50% in April and decreased to 24% in May 2020.

Table 5.1 Impact of COVID-19 on PHS workers (% impacted among PHS workers)

	PHS workers significantly impacted (%)	PHS workers significantly impacted in informal employment (%)
15 March 2020	37%	13%
15 April 2020	50%	19%
15 May 2020	24%	15%
4 June 2020	41%	16%

Source: ILO (2020).

That impact also varied by prior access to social security, with undeclared PHS workers without access to social security at higher risk of missing income when losing their job. Those with social security registration faced an assumed lower risk of job and income loss. However, formal employment alone did not fully protect PHS workers from the impact of lockdown measures when they were unable to work. Low employer awareness of their responsibilities and lack of information is likely to have led households to fail to cover PHS workers' wages when they were not working. Additionally, unemployment benefits do not necessarily cover PHS workers when registered to social security (ILO, 2020).

In April 2020, the PHS employers and trade unions representatives at EU level released a joint declaration on the COVID-19 Pandemic in Personal and Household Services (EFSI, 2020). sharing concerns for the PHS sectors and call upon authorities to urgently take appropriate actions towards the sectors. The EU level representatives also expressed mutual commitment in implementing and sharing best practices aimed at protecting PHS workers in the time of crisis (EFSI, 2021).

The COVID-19 pandemic significantly affected the transnational care arrangements of live-in PHS workers, with border closures and other restrictions preventing live-in carers from commuting to their workplaces abroad or being kept in their household workplace without the opportunity to leave their work. The Council Recommendation³⁵ on 30 June 2020 on non-essential travel allows travel in specific categories to ensure workforce supply. Although PHS workers are not included as a particular category, professionals working in elderly care and other front-line workers are included in the recommendation. There is little evidence of how many live-in carers travelled to their host families abroad despite restrictions at the borders. The interview with the Slovak expert on the PHS sector revealed that some Slovak live-in carers in Austria worked for an unusually long term, three months continuously instead of the agreed two weeks, due to travel restrictions and the impossibility of returning home and changing shifts with another carer. Another study found that while live-in carers were deemed critical workers and essential for the LTC system, since the outbreak of the COVID-19 pandemic, the inequalities and dependencies in transnational care arrangements only deepened. Care workers' interests and their occupational health and safety were subordinate to the interests of care recipients and agencies (Leibfinger et al., 2021). Most Member States adopted regulations related to accessing workplaces abroad, e.g., based on regular COVID-19 tests, vaccination, and certificates of employment. For undeclared PHS workers, however, access to their workplace was restricted, as households are not legally recognised as workplaces.

After adopting the first emergency measures, Member States realised that several groups of workers would not be covered by the income guarantees and considered extending the scope to include self-employed, those without regular working hours, who work on demand or have zero-hours contracts, and even undeclared workers (Eurofound, 2020a). Undeclared workers were not covered, however, as official state measures would not legitimise undeclared economic activity. The counterargument was that the society should protect undeclared

³⁵ Council Recommendation (EU) 2020/912 of 30 June 2020 on the temporary restriction on non-essential travel into the EU and the possible lifting of such restrictions.

workers as much as anyone else against poverty risk until their economic activity resumed. Several examples of responses across the EU Member States are summarised in Box 5.7.

Box 5.7. Tackling undeclared work in the personal and household service sector during COVID-19

Austria: a fund was made available for people who found themselves in financial difficulties due to the pandemic. The IG-24 criticised the excessive bureaucratic burden as preventing foreign PHS workers from applying for the fund despite massive loss of income. One of the eligibility criteria to receive financial support was to have opened a bank account in Austria, which many cross-border PHS workers do not have. IG-24 initiated a petition and approached the regional Antidiscrimination Agency in Steiermark, which provided legal advice and helped IG-24 to take the case to the Ombudsman and the European Commission, claiming that this requirement is against EU law, and that employers in other sectors in Austria transfer salaries to their foreign workforce to bank accounts abroad without any restrictions. Their efforts were successful and, upon the recommendation of the EU, Austria had to change the eligibility criteria and remove the condition of a bank account opened in Austria.

Belgium: the services voucher system is considered one of the most successful ways of tackling undeclared work in the PHS sector. During the pandemic, the system entitled PHS workers to replacement income due to their inability to work. Their access to workplaces and to replacement income was mediated by the agency employing these workers. For example, the Walloon government in Belgium released funds from the budget to guarantee the payment of salaries for PHS workers, as it is estimated that more than 80% of the service voucher sector was at a standstill in 2020. Through such measures, PHS workers registered in the system had greater job and income stability, allowing them to navigate lockdowns with replacement income. This approach proved that the Belgian voucher system not only guarantees stability in standard times, but also during temporary crises, such as COVID-19. Tax rules were also relaxed for border workers

Italy: the public discourse envisaged assimilating undeclared workers into the category of precarious workers, who have been promised an 'emergency income'. It was considered by most as a 'matter of fairness'. The COVID-19 pandemic underlined the importance of a safety net for those in new forms of employment and contracts that are not yet fully covered. PHS workers in Italy were not incorporated in the Cura Italia Law-Decree (Decree No. 17, issued on 17 March 2020), which extended the redundancy fund as a derogation to all. Instead, they were covered by Article 44 of the Decree, which provides for the establishment of a 'Fund of income of last resort', with EUR 300 000, which should cover all those left without cash or allowances. Moreover, Italy introduced a twofold regularisation measure for PHS workers and farm workers from third countries in a Relaunch Decree (Art 110-bis). In the measure, third-country nationals who have been in Italian territory without a valid residence permit since October 2019 can apply for a six-month residence permit to look for a job. In the second measure, employers should be able to apply to regularise their foreign and Italian workers without a regular contract by putting in place proper employment contracts.

Spain issued a decree on 31 March 2020, offering support to specific groups of vulnerable people, not just employees: PHS workers, temporary workers ineligible for unemployment benefits who have lost their jobs, people unable to pay their rent, and victims of domestic violence.

Source: Denník (2021), Eurofound (2020a), EFFAT (2020a), EFFAT (2020b), European Commission (2020).

In summary, evidence of policy approaches during the COVID-19 pandemic shows that Member States with more advanced discourse on tackling undeclared work in PHS and pre-existing systems for incorporating PHS workers in regular employment were also more likely to address the vulnerable positions of PHS workers during the pandemic. By contrast, Member States where undeclared work in PHS is not considered an issue or a subject

of public discourse, undeclared PHS workers were left without incomes or access to benefits. This demonstrates the need to harmonise approaches to tackling undeclared work in PHS across the whole EU and to facilitate exchange of good practice between Member States in order to launch relevant discourses in Member States where such discussions are lacking. To decrease exposure to homelessness and poverty as a consequence of COVID-19, the EU-level stakeholders interviewed recommended that national governments take a systematic approach to providing undeclared PHS workers with access to state support/benefit schemes to overcome the loss of income. This step could be used to monitor the scope of undeclared work and to motivate workers to become formal employees or self-employed in the PHS sector (AD-PHS 2021a)

6.0 Conclusions and recommendations

The PHS sector has undergone long-term transformations because of the rising demand for PHS work across all Member States. Considering an ageing population, demand for care services at home, in particular, are expected to increase steadily. Lack of access to formalised public and private care services and non-care services (e.g., cooking, cleaning, ironing, small shopping) is a key demand driver for undeclared work.

Member States have attempted to tackle undeclared work in PHS through various tools, mostly via systems of social and service vouchers and simplified administrative tools, transforming undeclared work into declared work, e.g., by introducing seasonal flexible work schemes and by enabling foreign workers to access regular employment, or attempts to establish quality standards by certifying the intermediary bodies providing PHS to clients. There is substantial divergence in national approaches, ranging from successful integration of PHS into the formal economy, social dialogue, and access to social rights, to little or no policy attention for tackling undeclared work in the PHS sector (e.g. Central and Eastern European countries such as Slovakia, Czechia, and Romania). While discourses have emerged about the brain drain of skilled care workers providing cross-border care in other EU Member States, there is nevertheless a lack of policy response to tackling undeclared work in the PHS sector in the home country of PHS workers. An overall acceptance of undeclared and under-declared work persists, prompting the lack of policy attention to tackle it.

The PHS sector faces a series of challenges, which have been clearly identified by stakeholders at all levels. These include the lack of a definition of households as workplaces (which would grant the enforcement authorities more competence in inspections and uncovering undeclared work), a limited number of Member States having ratified and implemented ILO Convention No. 189 on domestic workers, a missing professional recognition of skills and education of PHS workers, a lack of regulation of working time, pay and access to social benefits, and a lack of work permits for third-country nationals to work in the sector. The price of the formal provision of PHS also matters for the demand and supply of undeclared work in PHS. Service users' choice to recourse to undeclared provision is driven first and foremost by the affordability of formally-legally provided PHS.

These challenges will need to be firstly addressed in the formal PHS sector to be able to provide high quality and accessible PHS via declared work. EFSI (European Federation of Services to Individuals) has summarised in an interview for the purpose of this analysis that there is a direct link between the share of undeclared work in PHS and the supply of publicly funded services. PHS workers provide both care (care for elderly, persons with disabilities or children) and non-care (cleaning, housekeeping) in households. The amount a country invests in care and non-care provision by public and private providers through various tools (e.g., in-kind provision, allocation in cash or allocation in social vouchers) impact directly the demand of users for undeclared work. Users purchase PHS to meet a need for support in their everyday life (be they dependent or not). Countries that have developed effective PHS supporting policies, such as Belgium or Austria - including measures to make PHS more affordable to the vast majority of the population – are more successful in tackling undeclared work in PHS.

Based on the highlighted challenges, the research findings allowed for a set of recommendations to be developed for national governments and enforcement authorities, and for EU-level initiatives. These are presented below.

Recommendations for national-level policy makers

- ▶ Consider the **Ratification of ILO Convention No. 189** by EU Member States' governments. Even in case of ratification, enforcement authorities should systematically monitor and enforce the implementation of this Convention.

- ▶ National policy makers should adopt a systematic approach to providing undeclared PHS workers with access to state support/benefit schemes to overcome loss of income during the **COVID-19 pandemic**. While this step may face criticism for legitimising undeclared work, it may also represent a tool to monitor undeclared work and be usefully combined with other tools (e.g., education, certification) that motivate undeclared workers to register in formal employment or self-employment in the PHS sector.
- ▶ The employment in the PHS sector is dominated by women (75-90% share of women on total employment in the sector, see Section 2). This suggests that overarching **gender equality policies** should form part of solutions to undeclared work in the PHS sector, with integrated policy approaches to address work-life balance, access to benefits and pensions, and avoid poverty in later life.
- ▶ Improved access to, and affordability of **formal PHS within public and private social services** for those in need (e.g., lifting administrative burdens to access and the scope of available services, addressing workforce shortages by increasing wages and motivating employees to work in social services, or improving social protection for LTC needs) will shift part of the current and increasing demand for PHS towards official service provision rather than undeclared work.
- ▶ The development of **user-friendly (digital) services and tools** would enable an administrative simplification of formalising PHS work, such as easily accessible information for households in need for PHS, simple ways to declare their employees, ideally combined with social and fiscal incentives when they declare employment. This could also be combined with wider support that is provided by other services, such as public services, offers for informal carers (such as respite care) and community support.
- ▶ National authorities should support **professionalisation of the PHS** sector with associated legislative changes and recognition of the sector in its employment policies (including recognising the household as a workplace). Professionalisation and regularisation of the sector refers to setting quality standards for the provision of care, with the involvement of and monitoring by public authorities, as well as the implementation of social dialogue in the PHS sector. These quality standards and expectations can then be reflected in and ideally underpinned by legislative adjustments to formalise and institutionalise these standards.
- ▶ To contribute to the improvement of the working conditions in the PHS sector, the PHS workers and employers need to be organised and via their representative organisations engage in structured social dialogue. The public authorities should **encourage and support the development of workers' and employers' representative bodies** in the sector.
- ▶ To make the PHS sector more attractive to workers, authorities should develop **training programmes for PHS workers** and create benchmarks for quality services in the sector. In the long term, this step should facilitate a benchmark in quality among those using PHS work. Professionalisation is closely related to a regulatory framework for PHS work that stipulates a minimum wage, working time regulation and social protection standards, especially in those Member States that currently lack such provisions or policy discourses related to the challenges of the PHS sector.
- ▶ **Recognition of third-country nationals' qualifications** and experience in the EU Member States, together with a more flexible approach to issuing work permits, will increase the possibilities for these workers to work regularly. As PHS workers work for several employers, the current work permit policy tied to employment with a single employer is very limiting, and can also be linked to exploitation. General work permit schemes should recognise PHS workers as eligible, and provide permits that promote autonomy, decent work, labour mobility and social inclusion of non-national PHS workers.
- ▶ Stakeholders perceive a need for **public investment** in strengthening public and private services in the PHS sector via regular declared work. This would increase the availability of such services to meet increased

demand, while providing fewer incentives for undeclared work. Policymakers are invited to calculate the net budgetary impact of the measures at stake. This net cost for the Member State should be measured by calculating the gross public cost of the measure and subtracting the possible earn-back effects. Earn-back effects are the result of increased incomes (e.g., employment creation, creation of new companies, users working more or returning to employment, etc.) and of avoided costs (e.g., less unemployment benefits, avoided cost for support in a care home, etc.). In sum, revenues generated by measures to tackle undeclared work in PHS should enable a long-term investment in the PHS sector.

- ▶ A **regulatory framework** should be established, including initiatives on minimum wage, working time regulation and social protection standards in the PHS sector across EU Member States. Initiatives targeting the protection of rights and needs of PHS workers are also supported and prioritised by EU-level stakeholders. UNICARE suggested that standards for such regulatory efforts could emerge from the integration of several good practices in existing national approaches to tackling undeclared work in the PHS sector: Consider the following good practices:
 - ▷ Italian system – effectiveness in regularising undocumented cross-border PHS workers.
 - ▷ French system – good practice in direct employment in the PHS sector.
 - ▷ Belgian system – social dialogue on behalf of PHS workers, granting access to collective stipulations.
- ▶ A regulatory framework for the PHS sector that combines some of the elements presented above is advised, especially for those Member States that currently lack any regulation of PHS work whatsoever, or where they have little experience with adopting measures to regulate the PHS sector. UNICARE noted that this will require political will, strong and inclusive trade unions and employers' organisations, and strong social dialogue structures, which in itself is a challenge in many Member States, especially in Central and Eastern European Member States and in Southern Europe.

Recommendations for the national enforcement authorities

- ▶ National enforcement authorities are encouraged to apply a holistic approach to prevent and deter undeclared work in the PHS sector. Deterrence measures, in general, are less applicable in the PHS sector than preventive measures. This is due to the limited competence of inspections, with PHS work essentially carried out 'behind closed doors', in someone's private household. Nevertheless, as the examples from Ireland confirm, the private home inspection is possible under specific preconditions, usually combined with preventive measures. In essence, if inspections are not allowed in private households, other ways to inspect this type of employer are being sought. A critical precondition therefore is to **inform households utilising personal services**, incentivising them to ensure the respective rights and responsibilities in the PHS sector. In more severe cases, enforcement bodies could also elaborate if targeted notification letters or requests to meet outside the household are possible as was the case of Ireland.
- ▶ National enforcement authorities face the problem of accessing private households for inspections, as the key characteristic of PHS is that they are provided in the home of private households. This may be solved by **applying for permission to visit homes** from the competent judicial authorities. This presupposes that a prior motivated report is drawn up with an indication of the elements that (may) indicate a possible employment relationship. The inspection services could therefore make the necessary effort to identify the presumption of employment, making it easier to grant such an admission to a home visit. National enforcement authorities can also increase the use and effectiveness of their complaint mechanisms for PHS workers to signal violations, and provide evidence to authorities without relying on inspections. Measures include outreach to PHS workers, provision of information, and ensuring confidentiality and safeguards for third-country national workers.

- ▶ National enforcement authorities should improve the **control and inspection of agencies** posting PHS workers, especially if their practices are aligned with labour legislation (e.g., working time, breaks, access to social services). Checks may be supported by an EU-level scheme of quality certificates and official licences demonstrating compliance with national tax, labour and social security legislation. This will facilitate standardisation in regulating the operation of agencies and other intermediaries that are currently highly fragmented and unregulated across the Member States.
- ▶ The enforcement authorities are encouraged to apply a comprehensive **long-term information strategy targeting the PHS sector with the 3 – 5 years implementation period**, both the employers and employees, about their rights and duties, complaint mechanisms, and relevant regulations with incorporated evaluation and impact assessment.
- ▶ National enforcement authorities are recommended to focus more on **education, awareness raising and prevention in cooperation of social partners and relevant public and private stakeholders**, such as campaigns for PHS workers to obtain education and training and professionalise their services (which may facilitate higher pay in the longer term). Additionally, ELA can support the organisation and implementation of these kinds of initiatives. Special attention should be paid to women and migrant PHS workers. Awareness raising among foreign PHS workers about their labour rights (e.g., access to pandemic support when registered, support with registration, access to organisations representing their interests) should be upgraded.

Recommendations for the European Labour Authority

The European Commission and the European Labour Authority can play an important facilitating role in the convergence of national policy discourses in the sectors with a high degree of undeclared work, and the PHS sector in particular.

- ▶ ELA should dedicate **adequate capacity specifically to the PHS sector** and support national authorities in tackling undeclared work by coordination of information and sharing of good practices.
- ▶ The Platform tackling undeclared work should foster targeted exchanges among peers and of **good practices related to PHS**, including practical guidance to Member States on the various preventative measures that could target the PHS sector, their effectiveness and cost-effectiveness.
- ▶ ELA should launch a specific EU wide **communication campaign** in order to fight social acceptance of undeclared work in PHS. It is estimated that the sector has a huge potential of job creation if properly communicated, structured and financially supported by Member States.
- ▶ The ELA Translation Facility should support **translation of relevant information documents** and websites into EU languages. Accessible and understandable information would support migrant and EU-mobile PHS workers of all types, creating thus a considerable proportion of the PHS workers to not engaged in undeclared work.
- ▶ The Platform should facilitate debates related to **labour inspections in private households** and support innovative practices in this field. This can occur via collecting systematic evidence across the Member States' legislations, e.g., in form of a workshop, sharing country-specific good practices on cases where legislation allows labour inspections in private households, discussing specific legislative stipulations that are needed to introduce the practice of labour inspections in private households, and sharing practical challenges with implementing such inspections from the labour inspectorates' point of view.

Recommendations for EU level initiatives by other EU-level authorities

- ▶ Raise awareness across Member States on the **cost-effectiveness of preventative policy instruments tackling undeclared work in the PHS sector**. Specific support should be provided to Member States so that they can better assess the budgetary impact of their current PHS policies and design policies with a limited budget constraint. Targeted and systematic analyses on the cost-effectiveness are not available; available evidence is elaborated in Section 5 above on tax policies. Interview evidence demonstrates the views of interviewed stakeholders, including Platform members (see Table A.1 in the Annex), which refer to functioning models such as the service voucher model in Belgium to bear high costs on the state budget and related administration. On the other side, numerous earn-back effects are not always taken into account by public authorities.
- ▶ At the EU-level, the first and most fundamental step is adopting/facilitating a **standard definition of households as workplaces**, which would be then transposed to policy debates across the EU Member States. A starting point is reviewing available definitions and currently used approaches, e.g., different Member States and by different stakeholders including EU-level stakeholders. While the interviewed EU-level stakeholders (see List in Table A.1 in the Annex) offered differentiated views on key challenges in the PHS sector, their opinions converge on the point that a standard, EU-wide, definition of the PHS sector, or PHS sectors, needs to be adopted. This can be done by mapping definitions and facilitating a discussion among Platform members and Member States representatives (e.g., relevant Ministries or legislators) on seeking convergence towards a common European definition. The next step additional to a common definition is discussing the feasibility of standardized occupational categories used in the PHS sector, which would help setting benchmarks in remuneration and employment conditions vis-à-vis other types of work and also would facilitate an easier cross-border mobility of PHS workers, assessing their skill levels needed for practicing a certain job in the PHS sector receiving a transparent remuneration for this job.
- ▶ A discourse on the recognition of the PHS sector and its specificities, including undeclared work, can be underpinned by support to establish EU-level **social dialogue** structures in the PHS sector. Cooperation among relevant EU-level stakeholders will accelerate efforts to tackle the key challenges in the PHS sector (including its definition, recognition and professionalisation). Some EU-level stakeholders organisations call for strict separation of care and non-care care services due to their distinct challenges and regulations required, while others would prefer an integrated approach, where a dedicated sector-specific social dialogue structure at the EU-level could emerge, like the existing Sectoral Social Dialogue Committees. Within this integrated approach, the current fragmentations between interest representation of, e.g., care and non-care workers by different EU-level social partners (such as EFFAT, UNICARE and EPSU), could be overcome by their cooperation, which is already well developed. For a separated approach, respondents were in favour of creating social dialogue structures for social services, embracing both care work within PHS and other forms of (declared) social services. In any case, a development of sectoral social dialogue structures at the EU-level would deepen and strengthen existing cooperation between relevant stakeholders in the PHS sector (EFFAT, UNICARE, EPSU, EASPD, EFFE, EFSI Federation of European Social Employers, etc.).
- ▶ The **professionalisation of the PHS** sector could be supported by training and career trajectories. Two measures are highlighted in particular: (1) provision of special training and skill development, possibly supported by certification such as the European Commission's initiative on micro credentials (qualification for workers – certificates); and (2) creating an EU-wide system for quality levels and recognition of skills and certificates from EU Member States, which would help in classifying PHS workers into standard categories across the whole EU, based on the length of their training and experience. A supporting measure is education campaigns that motivate PHS workers to professionalise and regularize their employment status as workers with recognised qualifications.

- ▶ In relation to **foreign PHS workers and cross-border care provision**, EU-level stakeholders suggest an EU-level endorsement and recognition of qualifications and experience of third-country nationals in the EU Member States, together with a more flexible approach to issuing work permits. As PHS workers often work for several employers, this situation could be better reflected in the work permit policy, which in many Member States is based on an employment relationship with a single employer. The EU level stakeholders could endorse the recognition of the need for PHS workers from outside of the EU and reflected it in work permit schemes, as well as qualifications, and support a simplified and flexible employment scheme, inspired e.g., by the seasonal workers' scheme (Hungary) or small jobs work scheme (Germany) and apply these onto PHS workers, thereby supporting their legal employment across the EU Member . At the same time, labour migration opportunities shall promote decent work and social inclusion and not be based on temporary short-term programmes.
- ▶ Better **statistical monitoring of the sector in combination with a better statistical understanding of what categories belong to PHS and what do not** is needed in terms of both the profile of workers and their employment conditions, and the profile of users and their needs. Recognise the status of direct household employment employers and employees, enabling them to be included in European statistical nomenclatures. The EU could thereby benefit from tangible and usable data providing Member States with a real vision of the return on investment from such public policies. Eurostat should launch cooperation programs with Member States statistical bodies towards better data collection on work in the PHS sector. At present, several Member States do not collect ISCO, and NACE data groups related to the sector ('4-digit data'). In Member States that do collect these data, there is some discrepancy in the methodology applied, therefore limiting comparability among Member States.

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Annex

Annex 1: Methodological note

Declared and undeclared work in the PHS Sector

In this report we use the EU Labour Force Survey (EU-LFS) in combination with the European Working Conditions Survey (EWCS). The EU-LFS microdata include NACE-1D sector classification, thus the occupation structure of workers in the care activities (Q88) under NACE-Q sector is not directly observed. To examine occupations in the NACE-Q sector, the EWCS 2014 and EU-LFS 2019 data were combined to construct the employment shares in NACE-Q subsectors. ECWS 2014 is the only available source to distinguish employment at ISCO-2D and NACE-2D levels.

Two approaches were applied to estimate employment in Q88 for the respective occupational groups: (i) the fixed-shares estimates, based on the average shares of the respective category in employment (based on the EWCS), and (ii) the calculated-shares estimates, resulting from extrapolations based on occupational and sectoral dynamics of employment shares in the EU-LFS data. The average of the two estimates was taken to calculate overall employment in the PHS sector used for calculations in the report.

Care activities in the PHS sector are covered by two subsectors in NACE: Q88 – Social work without accommodation: mostly related to non-residential (long-term) care activities for dependent, disabled or elderly individuals and children (including nurseries). Around a quarter of activities classified under T97 – Activities of households as employers of household personnel (e.g. health related personal care, child care, etc.).

Non-care activities in the PHS sector are defined by three subsectors in NACE: S95 – Repair of computers and personal and household goods; S96 – Other personal service activities (e.g., hairdressers, nail-bars), where these services are provided at home; and substantial part (around three quarters) of T97 – Activities of households as employers of household personnel

The **narrow definition of PHS** includes NACE subsectors Q88 – Social work activities without accommodation and household employment defined as T97 – Activities of households as employers of domestic personnel.

The **broad definition of PHS** includes, in addition to the above, the S95 – Repair of computers and personal and household goods and S96 – Other personal service activities. Although the inclusion of S95 has been contested, this report aims at an encompassing approach to locate the PHS sectors and carefully selects care and non-care types of services delivered at home to assess the scope of PHS work in Europe.

To estimate the scale of **undeclared work in PHS**, the report relies on the 2019 Eurobarometer survey on undeclared work. People purchasing undeclared goods or services were counted to estimate the demand for undeclared work. We found that the shares in total undeclared activities of the care sector (subsector Q88) and in direct household employment (T97) are around one-third (31%) and 14%, respectively. As all the figures reported for undeclared work are separate estimates, small statistical discrepancies may arise.

Annex 2: Detailed analytical tables

Table A.2 Estimated employment in subsector Q88, 2019

Occupation name	ISCO 2-digit	Estimated employment in Q88 (thousands)	
		Fixed shares estimates	Calculated shares estimates
Personal care workers	53	1 394.7	1 769.5
Teaching professionals	23	333.1	685.4
Legal, social, and cultural associate professionals	34	577.6	435.3
Legal, social, and cultural professionals	26	666.5	426.2
Cleaners and helpers	91	381.7	263.5
Health associate professionals	32	229.1	139.7
Health professionals	22	113.8	93.1
Personal service workers	51	65.6	73.5
Other		457.4	333.4

Source: CELSI 2021, based on EU-LFS 2019 and EWCS 2014.

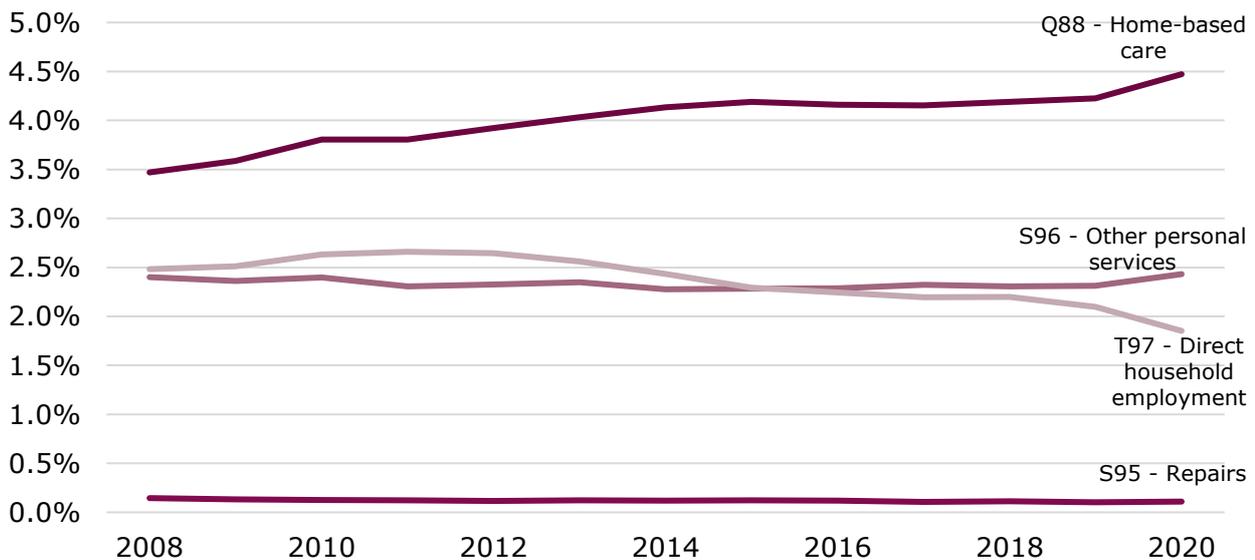
Notes: The last two columns represent two estimates of employment in Q88 for the respective occupational groups: (i) the fixed-shares estimates, based on the average shares of the respective category in employment (based on the European Working Conditions Survey (EWCS)), and (ii) the calculated-shares estimates, resulting from extrapolations based on occupational and sectoral dynamics of employment shares in the EU-LFS data. The average of the two estimates was taken to calculate overall employment in the PHS sector used for calculations in the report (See Table 2.1).

Table A.3 Examples of good practices

Good practice	Short description
Ireland- inspections in private households	<p>The objectives of the inspections of private households as places of employment were to communicate the message that domestic workers are employees with rights/entitlements (e.g. rights to receive a national minimum wage) and to access and inspect sites of domestic employment. In order to conduct proactive inspections, the Irish labour inspectorate (the Workplace Relations Commission) utilises employer data from a variety of sources including Revenue, Social Protection and other State bodies. Inspectors require owner permission to enter a domestic premise. To limit the risk of refusal inspectors, a standard appointment letter was issued which request access to inspect domestic premises. While letters advise on the right to refuse permission, they encourage alternative meeting sites outside of the private household in the event of a refusal. The approach proved successful in securing access to PHS premises, with 70-80% of requests granted.</p> <p>Source: European Platform tackling undeclared work (2018). Available at: https://ec.europa.eu/social/BlobServlet?docId=20736&langId=en</p>
Belgium – service vouchers (titres services)	<p>The system of service vouchers is operating since 2004. The objectives are to provide incentives to the targeted groups to transform undeclared work into declared work and to create new jobs, especially for low-skilled workers. The Service Voucher is purchased by private individuals from an issuing company approved by the authorities. The face value of the Service Voucher varies between EUR 9 and EUR 10 per hour of service. The user can buy 500 vouchers per year. The user can also benefit from a tax reduction on the amount purchased. The Service Voucher is used to purchase a service provided by companies approved by the authorities. The number of jobs created doubled between 2006 and 2013, from 62 000 to 150 000 workers. 45% of workers admit that the service voucher was a way out of undeclared work, while 25% of users said that without the service voucher system, they would have used undeclared work.</p> <p>Source: European Platform tackling undeclared work (2018), Available at: https://ec.europa.eu/social/BlobServlet?docId=19922&langId=enService%20vouchers%20BE</p>

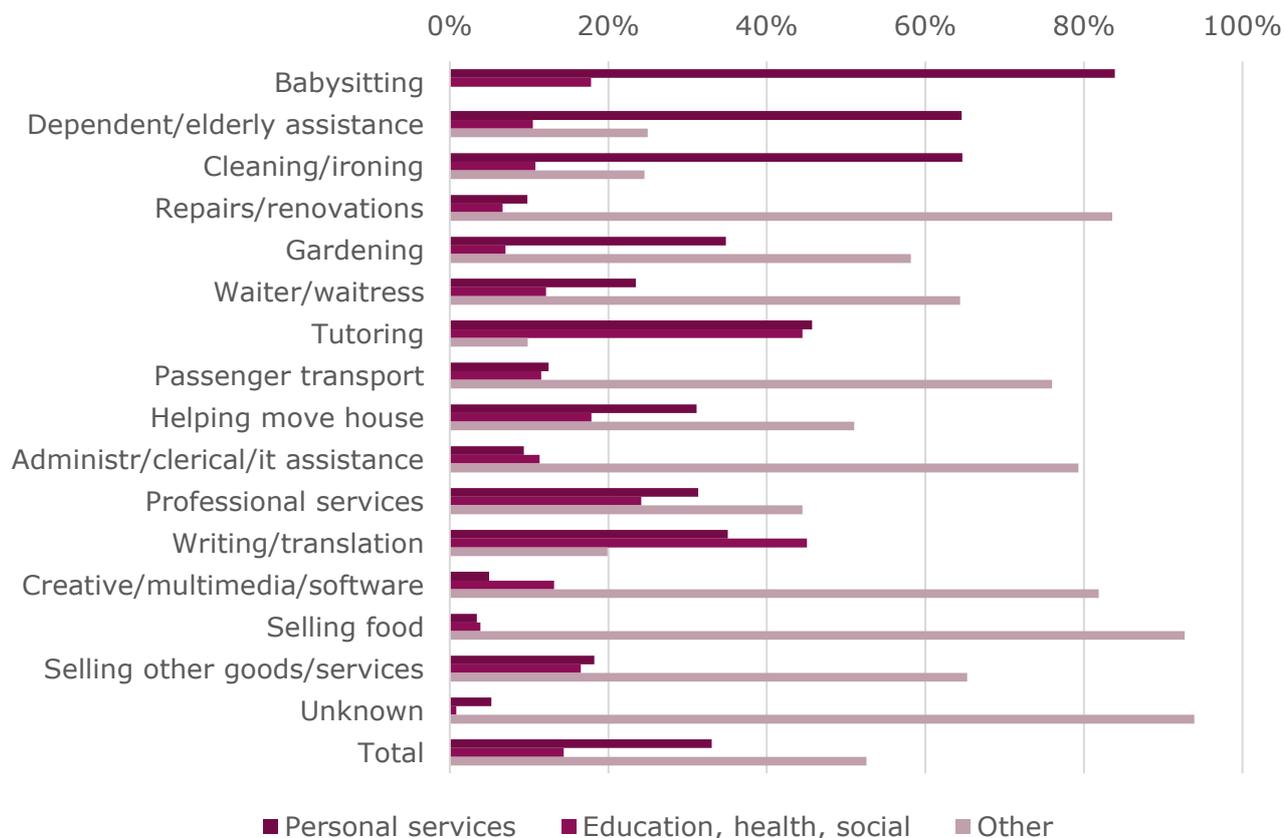
Good practice	Short description
<p>Germany – holistic approach of the enforcement authorities</p>	<p>The PHS sector is inspected in a risk-based manner. For example, information on the identification of conspicuous operational structures is considered within the framework of the German Customs Administration's unit for the financial control of undeclared work (FKS) risk management. In its inspection approach, FKS takes a preventative and a deterrence approach, focusing also on related education.</p> <p>An important prevention tool are sector-specific alliances between the various industry associations and unions. By entering into an alliance to combat undeclared work and unlawful employment, the alliance partners make clear that they, too, are unwilling to tolerate undeclared work within the sectors that they represent.</p> <p>Regarding undeclared live-in assistance, technical standards (DIN SPEC) such as voluntary guidelines for placement agencies which can then be certified by independent inspection companies can offer consumers helpful guidance where to find legal live-in assistance workers. Information provided by consumer protection organisation offer additional orientation.</p> <p>Germany has introduced several measures in addressing improvements in cross-border long-term care provision, such as the Concerted Action for the Care Workforce to improve the working conditions, the legal foundation for better pay in the long-term care sector; several German have introduced regulations defining basic preconditions under which declared and legal forms of live-in assistance can be recognised an social partners provide financial support to counselling and awareness raising on fair workers.</p> <p><i>Source: Interview with German Platform member (2021).</i></p>

Figure A.1 Employment in PHS subsectors (% of total employment)



Source: CELSI 2021, based on the EU LFS data (variable lfsq_egan22d).

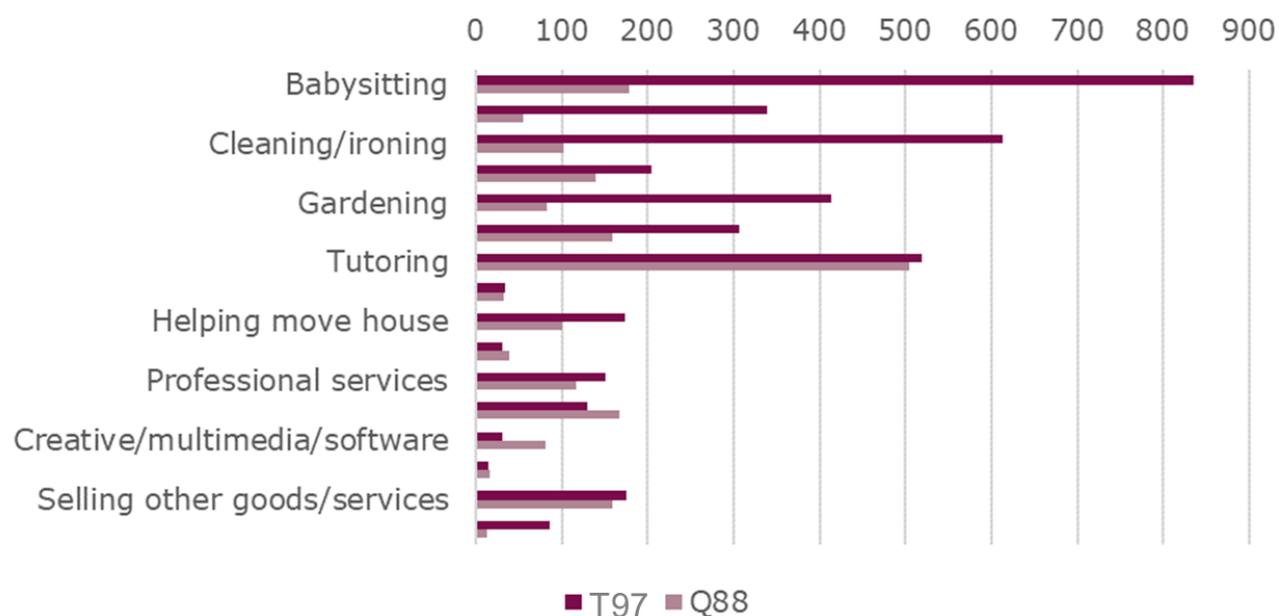
Figure A.2 Structure of undeclared work supply, by type of sector



Source: CELSI 2021, based on Eurobarometer 92.1.

Note: Respondents answering that they had carried out undeclared paid activities in the last 12 months were then asked, 'In which sector did you carry out these undeclared activities on your own account or for an employer?'

Figure A.3 Number of undeclared workers, by type and subsector (thousands)



Source: CELSI 2021, based on Eurobarometer 92.1.

Annex 3: List of interviews

Code	Respondent identification	Level	Interview date
INT1	European Public Service Union (EPSU)	EU level	9 July 2021
INT2	European Association of Service Providers for Persons with Disabilities (EASPD)	EU level	9 July 2021
INT3	European Federation of Trade Unions in the Food, Agriculture, and Tourism sectors and allied branches (EFFAT)	EU level	6 July 2021
INT4	UNICARE - Global Union for the private care sector and social insurance industry (within UNI Global Union and UNI Europa)	EU level	13 July 2021
INT5	Federation of European Social Employers	EU level	9 July 2021
INT6	CZ Platform member	National level	19 July 2021
INT7	RO Platform member	National level	21 July 2021
INT8	SK Platform member	National level	28 July 2021
INT9	SK expert on PHS	National level	2 July 2021
INT10	IT expert on undeclared work in PHS	National level	6 July 2021
INT11	DE Representatives of the ministries concerned	National level	23 August 2021 (responses in writing)
INT12	NL Platform member	National level	25 August 2021
INT13	EFFE - European Federation for Family Employment & Home Care	EU level	25 August 2021 (responses in writing)
INT14	Austrian Chamber for Workers and Employees	National level	23 July 2021
INT15	EFSI – European Federation of Services for Individuals	EU level	31 August 2021 (responses in writing)

In not stated otherwise, all interviews were conducted online, recorded, and transcribed for internal purposes. All respondents expressed their consent to participate in the interview and were apprised of the purpose of the interview.