



Tackling undeclared work in personal and household services

Joint Recommendations as follow-up of the European Platform tackling undeclared work seminar of March 10, 2022

Brussels, March 21, 2022

The PHS Social Partners, EFFAT, EFFE, EFSI and UNI Europa, welcome the European Platform tackling undeclared work initiative to hold a seminar on tackling undeclared work in the care and personal and household services sector on March 10, 2022. They take note of the discussions that took place among national labour inspections representatives following which, they would like to highlight the following points.

Background

Preliminary remarks

The Social Partners recall that the personal and household services (PHS)– also termed domestic work at International level - includes a broad range of activities mainly carried out in households and related to personal assistance (early childhood and education care, childcare, long-term care in situations of dependence, disability, invalidity, etc.), broadly identified as “care services”, and to activities of daily living (cleaning, ironing, gardening, small DIY, maintenance, remedial classes, etc.), united under the term of “household-related services” or “non-care services”. To date, there are nearly 9,5 million PHS workers in the EU-27, representing 5% of total employment.

PHS are characterized by a **high prevalence of undeclared work**, doubled by precarious working conditions for nearly 2 million domestic workers who do not enjoy the same labour rights and social protection as other workers in their respective country. In 2016, the European Commission recognises that PHS are the third most common identified sector for UDW, after the construction sector and HORECA sector (hotels, restaurants, and catering)¹. The latest Eurobarometer survey on the topic suggests that around 34% of all UDW undertaken in the EU in 2019 was in PHS. Recent estimates show that, among the 9.5 million domestic workers to be found in Europe, at least 3.1 million of them are undeclared².

While PHS essential contribution to our societies has been highlighted and recognised during the pandemic, PHS workers have been severely affected and many have seen their working conditions and access to social protection getting worse. As such, the COVID-19 pandemic

¹ European Commission (2016) European Platform tackling undeclared work, Member States Factsheets and Synthesis Report, 2016.

² Lebrun, Jean-François (2020), La complexité des estimations du nombre d'emplois générés par le travail domestique en Europe, rapport réalisé à la demande du Bureau International du Travail, December 2020, unpublished.



has demonstrated the need for an urgent normative intervention to grant all PHS workers access to the essential social protection that every worker deserves, including in case of inability to work for reasons beyond their control³.

In addition, PHS are seen as a natural extension of women's unpaid care work and are thus, significantly undervalued⁴. For decades, domestic work – including care - has been treated, not as an essential value worthy of social investment, but a drain on public budgets. Therefore, those working within in PHS have been among the lowest paid workers, many of which have a migrant background and being women from Eastern Europe. Very little attention has been paid to quality work in PHS and even less on granting PHS workers living and working conditions that support them in engaging and remaining in work throughout an extended working life. **PHS workers are qualified workers whose commitment, skills and professionalism should be widely acknowledged and promoted.**

Moreover, Social Partners consider that it is important to highlight that PHS is characterized by **multiple work arrangements** (live-in, live-out, single or multiple employers) **and various employment relationships** (placement agencies, provider organisations, direct contract with the end-users or domestic workers operating as self-employed). This multiplicity should be duly understood and considered when tackling undeclared work in PHS.

Furthermore, it is important to stress that **PHS should be distinguished from occasional domestic and care work**. As clearly stated in the ILO Domestic Workers Convention, 2011 (No. 189) “*a person who performs domestic work only occasionally or sporadically and not on an occupational basis is not a domestic worker*”⁵. Therefore, **PHS Social Partners invite the European Platform tackling undeclared work to focus on undeclared PHS provided on a regular basis by professional workers**. Likewise, despite the attention that informal carers⁶ deserve, PHS Social Partners considers that this issue should be tackled by the European Commission through the upcoming Care Strategy and that the European Platform tackling undeclared work should only focus its reflections on **the formalisation of professional undeclared PHS workers**.

Drivers of undeclared work in PHS

PHS Social Partners acknowledge that there are **many drivers of informality in PHS** such as the scope and implementation of labour and social security regulations, barriers for accessing legal and effective social security coverage. Likewise, gaps and restrictions in access to work permits for migrant workers and the variety of organisations and actors involved in mediating or facilitating the supply of domestic workers and the demand for PHS. Due to their managerial complexities, direct employment model relationships (i.e. when PHS

³ For more information on this topic, see EFFAT, EFFE, EFSI and UNI Europa joint statement on the COVID-19 pandemic in personal and household services from April 2020, http://www.efsi-europe.eu/fileadmin/MEDIA/publications/2020/EFFAT-EFFE-EFSI-UNI_Europa_Joint_Statement_COVID-19_Pandemic_in_PHS_final.pdf

⁴ The entrenched stereotype that women are responsible for unpaid care work at home has a spill over effect on the value attributed to women's contribution to the labour market.

⁵ ILO Domestic Workers Convention, 2011 (No. 189), article 1.

⁶ An informal carer is a person who provides – usually – unpaid care to friends, family members or neighbors with a chronic illness, disability or other long-lasting health or care need, outside a professional or formal framework.



users contract directly with workers) can foster the use of undeclared employment and thus require special attention by public authorities. In this regard, Social Partners would like to stress that the direct employment model relationship is already formalised and structured in several EU Member States and is therefore no longer assimilated to undeclared work⁷.

That being said, it should be agreed that **the major factor of undeclared work in PHS is the relative cost and the complexity of hiring a domestic worker or affordability of doing so in relation to a user's income and need**. Due to the sector's high employment content (i.e. the price paid for the services is made up almost entirely of workers' wages), the formal provision of PHS is relatively much more costly (when taking into account taxes, and so on) than undeclared provision.

According to economic theories, households will perform PHS activities themselves if the opportunity or replacement cost of performing such activities is lower than externalising PHS on the formal or undeclared market. Regarding the formal market, a household will externalise PHS when its (hourly) net wage is higher than the price of externalizing PHS, which is mostly equivalent to the gross wage of the PHS worker (which is higher than his/her net wage because of taxes). Regarding the undeclared market, the comparison will be made on the basis of the workers' net wage, given the absence of taxes. As such, the relative cost of PHS affect decision-making not only as to whether or not and how much domestic work to purchase, but whether to do so formally or informally⁸.

In addition, one should stress that **norms and values** regarding family and home, as well as the gender division of labour in the home, influence perceptions, attitudes and behaviour regarding PHS work which suffers from a low social prestige. In many EU countries, it is still culturally widely accepted to recourse to undeclared work for specific services such as PHS and therefore no support is granted to the sector.

Finally, PHS Social Partners consider that there is a **direct link between the share of undeclared work in PHS and the supply of publicly funded care services**. The care and household-related workforce provides both direct (care for elderly, persons with disabilities or children) and indirect care (cleaning, housekeeping) in dependent households. The amount a country invests in the forenamed care provision through various tools (e.g., in-kind provision, allocation in cash or allocation in social vouchers) impact directly the recourse by users to undeclared work. They also highlight that the personal choice of each individual to have recourse to external professional support or to be in charge of its own care duties should be guaranteed by public authorities along with the possibility to choose which model of

⁷ Usually in those countries, PHS workers can be directly hired by private household or individuals to provide both care and household-related services. It is therefore a working relationship between two natural persons with a "non-professional" employer with a non-merchant purpose. The user directly recruits an employee to work at home: he performs the recruitment procedures, draws up the employment contract, pays wages and complies with social and administrative declarations and contributions. The PHS worker is formally employed and in the best scenario its working conditions are defined by a collective bargaining agreement.

⁸ To further explore this issue, EFSI recommends the reading of the [IMPact implementation and monitoring guide](#) as well as Gary S. Becker's (Nobel Memorial Prize in Economic Science in 1992) work on the economic analysis of household production.



employment suit the individual's need for PHS best. Nobody should be forced in choosing one path above the other due to ideological policy objectives.

Consequently, EFFAT, EFFE, EFSI and UNI Europa underline that it is fundamental to encompass all these factors when designing a policy tackling undeclared work in the PHS sector. While having recourse to PHS, users meet a need for support in their everyday life (be they dependent or not). Their choice to recourse to undeclared provision is driven first and foremost by the affordability of formal PHS. Countries who have developed effective PHS supporting policies - including measures to make PHS more affordable to the vast majority of the population - have witnessed a sharp decrease in undeclared work in the sector.

Whereas the sector is expected to expand in the coming years due to higher demand for such services (due to population ageing and an increased participation of women to the labour market), PHS Social Partners consider that in the current state, this expansion will lead to development of undeclared work rather than formal work. Therefore, to successfully counter this trend, EFFAT, EFFE, EFSI and UNI Europa agreed on a set of recommendations.

General Recommendations on Tackling Undeclared Work in personal and household services

- Focus on preventative and compliance-oriented measures rather than deterrence measures. The most common preventative approach in the sector are demand-side⁹ and supply-side incentives¹⁰, which usually aim to make formal PHS affordable to the greater number.
- When considering reducing the price of PHS, policymakers should pay specific attention to the equity of the measure. Indeed, it should also benefit the people with the lowest incomes including pensioners. In that regard, one sole tax deduction might not be enough to benefit them. To obtain equity, policymakers might complement a possible tax deduction with other measures or consider tax credit possibilities.
- The success of any policy trying to tackle undeclared work in the PHS sector is directly related to its comprehensiveness. As such, it should not be limited to making PHS

⁹ "demand-side incentives target purchasers of undeclared goods and services with rewards for using declared goods and services. These demand-side incentives include: targeting purchasers with direct tax incentives; targeted indirect tax incentives; service vouchers; incentivising electronic payments and deterring cash payments, and incentives for customers to request receipts", in European Platform Undeclared Work (2018), Elements of a preventative approach towards undeclared work: an evaluation of service vouchers and awareness raising campaigns, May 2018, page 14.

¹⁰ "supply-side incentives that transform undeclared work into declared work by making the conduct of declared work more beneficial and easier for employers and workers. These include: simplifying compliance; society-wide amnesties; individual-level amnesties for voluntary disclosure; formalisation support to startups; formalisation support and advice to businesses; direct tax and social security incentives; indirect tax incentives, and help with record-keeping" in European Platform Undeclared Work (2018), Elements of a preventative approach towards undeclared work: an evaluation of service vouchers and awareness raising campaigns, May 2018, page 14.



formal services affordable but should also comprise measures ensuring quality work in the sector, promoting professionalisation, skills recognition, easing administrative duties, and raising awareness on the dangers that undeclared work might entail. Measures tackling undeclared work in PHS should therefore find long-term and sustainable solutions for the benefit of workers (by granting them access to formal jobs not deviating from standard employment rights and protection) and users (by enabling them to adequately meet their needs on the formal market at an affordable price).

- In line with the ILO Domestic Workers Convention 2011 (No. 189), specific statutory regulation for domestic work should be abolished. While specific regulations may be appropriate to adapt to the sector, several exist mainly to reduce the cost of employing a PHS worker, and are discriminatory, usually associated with poor working conditions (e.g., excessive working or on-call hours) and fewer rights (resulting from reduced social contributions).
- When investing in PHS, policymakers should consider the net budgetary impact of the measures at stake. This net cost for the State should be measured by calculating the gross public cost of the measures 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 avoided costs (e.g., less unemployment benefits, avoided cost for support in a care home, etc.). The revenues generated by the measures should enable a long-term investment in the sector.
- The risk of undeclared work in PHS direct employment relationships can easily be reduced thanks to the creation of a dedicated professional framework as well as access to preventative measures making these services affordable and easy to declare. Furthermore, access to administrative declarative simplification, collective bargaining and professionalisation tools to PHS workers directly employed by end-users should be guaranteed.

In this regard, the development of an in-between system where the end-user gives mandate to a third-party organisation (be it for-profit or not-for-profit) to entrust this organisation with the management of recruitment process and all administrative formalities and duties as an employer should be considered. The effectiveness of such system in reducing undeclared work has been demonstrated in several countries while also facilitating social dialogue, improved working conditions, securing the working relationship and better access to professionalisation for PHS workers.

- Social vouchers programmes¹¹ should be granted specific attention as they have demonstrated their effectiveness in encouraging citizens to access regular rather than

¹¹ Social vouchers, whether paper or digital, are social benefits collectively attributed to workers by their employers, both public and private, carrying the right to access specific goods or services that improve their working conditions and facilitate their work-life balance (such as access to food, culture, transport, childcare, holidays etc.). Public authorities can also adapt social vouchers to distribute benefits and well-being to their citizens as an alternative to allowances in cash or kind. They should be distinguished from administrative simplification tools. For more information on social vouchers programmes, please refer to Ad-PHS Project (2020), Social Voucher Programmes: Tailored Guidance, available at: https://ad-phs.eu/ht8ag2/uploads/2021/08/tg-3-vouchers-programmes_en.pdf



undeclared PHS. Indeed, they ensure quality and increased transparency (i.e., better identification of providers and the final price of each service) without increasing the administrative burden (e.g., management of direct formal employment).

Specific Recommendations to the European Labour Authority

- The European Platform tackling undeclared work should foster targeted exchanges among peers and of good practices related to PHS, beyond the first quarter of 2022. It should issue concrete and detailed policy guidance to Member States on the various preventative and compliance-oriented measures that could target the PHS sector, their efficiency and cost-effectiveness. In order to maximise the impact of these exchanges, participation should be extended to non-members of the Platform such as Employment and Social Affairs Ministries and Budget Ministries representatives.
- The Platform should address the specific issue of labour inspections in PHS. In most countries, the law requires the consent of the householder or prior judicial authorization to allow access of labour inspectors to private dwellings under provisions protecting individuals' right to privacy. Therefore, the European Labour Authority (ELA) should foster the exchange of innovative preventive measures successfully implemented in some country to overcome the limited competence of inspections and/or to obtain the householder's consent.
- Specific guidance on how to implement effective mechanisms for all PHS workers, regardless of migration/residence or employment status, to file a complaint and access remedies should be established as part of the Platform work on PHS. This includes acknowledging the principle of a strict firewall between the duties of labour inspectors and immigration enforcement (no role to enforce immigration law, check or report immigration status, nor joint inspections).
- The ELA should support the implementation by Member States of online information hub providing information to both individuals (as end-users and as workers) and employers on the prerequisites of a formal employment relationships in PHS. It could include checklists on compliance with national tax, labour, and social security legislation. Tackling the language barriers should be addressed by providing information in several languages.
- The ELA should launch a specific EU-wide communication campaign in order to fight social acceptance of undeclared work in PHS.
- The ELA should liaise with other EU agencies (such as Eurofound, EU Agency for fundamental rights, EU-OSHA, etc.) to better explore and analyse the complex relationship between undeclared work and other issues such as labour cost and productivity, unemployment, female employment, migrants (undocumented or not), access to social services and work-life balance measures.



Specific Recommendations for EU-level initiatives by other EU-level authorities

- The European Commission should assist PHS social partners in developing national capacity through earmarked EU funding (such as ESF+) so that PHS national social dialogue and national sectoral observatories could be created.
- The European Commission, and especially DG REFORM, should raise awareness across Member States on the cost-effectiveness of preventative policy instruments tackling undeclared work in PHS. 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.
- The European Commission should launch an EU-level initiative targeting recruitment, placement and payrolling agencies operating in the field of PHS. Such initiative should aim at guaranteeing agencies compliance with national tax, labour, and social security legislation.
- Eurostat should launch cooperation programs with Member States statistical bodies towards better data collection on PHS. At present, several Member States do not collect ISCO and NACE data groups related to the sector (“4-digit data”) and in countries who do collect these data, we witness some discrepancy in the methodology applied, therefore limiting comparability among Member States. The collection and availability on more data on PHS workers and users is key to the design of relevant and efficient policy measures tackling undeclared work in the sector.



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EFFAT is the **European Federation of Food, Agriculture and Tourism Trade Unions**. As a European Trade Union Federation representing 120 national trade unions from 35 European countries, EFFAT defends the interests of more than 22 million workers employed along the food chain. EFFAT is a member of the ETUC and the European regional organisation of the IUF.

EFFE, the **European Federation for Family Employment & Homecare**, represents the interests of national stakeholders including social partners organisations operating in the field of direct employment. This model is characterised by a contractual work relationship between two private individuals, without any trading or profit-making objective.

EFSI, the **European Federation for Services to Individuals**, is the voice of the Personal and Household Services industry at European level, representing national associations, employers' organisations, PHS providers and companies involved in the development of personal and household services, and currently operating in 21 EU Member States.

UNI-Europa is the **European Trade Union Federation for 7 million service workers**. It speaks for the sectors that constitute the backbone of economic and social life in Europe. Headquartered in the heart of Brussels, UNI Europa represents 272 national trade unions in 50 countries, including: Commerce, Banking Insurance and Central Banks, Gaming, Graphical and Packaging, Hair and Beauty, Information and Communication Technology Services, Media, Entertainment and Arts, Postal Services and Logistics, Private Care and Social Insurance, Industrial Cleaning and Private Security, Professional Sport and Leisure, Professionals/Managers and Temporary Agency Workers.