

The elderly care and domestic services sector during the recent economic crisis. The case of Italy, Spain and France

Sara PICCHI

Sapienza, University of Rome
sara.picchi@uniroma1.it

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ABSTRACT

Over the past ten years in Italy, Spain and France, the demographic pressure and the increasing women's participation in labour market have fuelled the expansion of the private provision of domestic and care services. In order to ensure the difficult balance between affordability, quality and job creation, each countries' response has been different. France has developed policies to sustain the demand side introducing instruments such as vouchers and fiscal schemes, since the mid of the 2000s. Massive public funding has contributed to foster a regular market of domestic and care services and France is often presented as a "best practices" of those policies aimed at encouraging a regular private sector. Conversely in Italy and Spain, the development of a private domestic and care market has been mostly uncontrolled and without a coherent institutional design: the osmosis between a large informal market and the regular private care sector has been ensured on the supply side by migrant workers' regularizations or the introduction of new employment regulations. The analysis presented in this paper aims to describe the response of these different policies to the challenges imposed by the current economic crisis. In dealing with the retrenchment of public expenditure and the reduced households' purchasing power, Italy, Spain and France are experiencing greater difficulties in ensuring a regular private sector of domestic and care services. In light of that, the paper analyses the recent economic conjuncture presenting some assumptions about the future risk of deeper inequalities rising along with the increase of the process of marketization of domestic and care services in all the countries under analysis.

Keywords: domestic and care services, Italy, Spain, France

El sector de los servicios domésticos y de cuidado a los mayores durante la reciente crisis económica. El caso de Italia, España y Francia

RESUMEN

En los últimos diez años en Italia, España y Francia, la presión demográfica y la creciente participación femenina en el mercado de trabajo han alimentado la expansión del trabajo

privado doméstico y de cuidado. Para asegurar el difícil equilibrio entre accesibilidad, calidad y generación de empleo, la respuesta de estos países ha sido diferente. Francia ha desarrollado políticas para sostener el lado de la demanda de trabajo introduciendo instrumentos como voucher y esquemas fiscales, desde mediados de la década del 2000. Una masiva financiación pública ha contribuido a promover un mercado regular de servicios doméstico y de cuidado. Por lo tanto, Francia se presenta a menudo como una buena práctica de las políticas dirigidas a fomentar un sector privado regular. Por el contrario, en Italia y en España, el desarrollo de un mercado privado de servicios doméstico y de cuidado ha sido incontrolado y ha partido de la ausencia de un diseño institucional coherente: la ósmosis entre un gran mercado informal y el sector de servicios privados regulares se ha asegurado del lado de la oferta de trabajo mediante regularizaciones de trabajadores migrantes o la introducción de nuevas regulaciones de empleo. El análisis presentado en este trabajo quiere describir la respuesta de estas diferentes políticas a los retos impuestos por la actual crisis económica. En relación con la reducción del gasto público y el reducido poder adquisitivo de las familias, Italia, España y Francia están experimentando mayores dificultades en conseguir un sector privado regular de servicios domésticos y de cuidado. Teniendo todo esto en cuenta, el artículo analiza la coyuntura económica reciente, sugiriendo algunas hipótesis sobre el riesgo futuro de desigualdades más profundas junto con el aumento del proceso de mercantilización del sector doméstico y los servicios de cuidado en todos los países analizados.

Palabras clave: servicios domésticos y de cuidado, Italia, España, Francia

INTRODUCTION

France, Spain and Italy are the countries with the larger number of care and domestic workers in Europe. While the development of the domestic and care services sector normally depends on the interaction between demand and supply, in these countries different public policies have directly or indirectly supported this sector's expansion over the last two decades. Several measures and arrangements have been introduced to reduce households' costs in buying care and domestic services, such as the direct subsidising of expenses for home-based services, exempting employers from social contributions, granting families tax-credits for their care expenditure, tolerating a black or grey market, and finally implementing ad hoc measures to regularise undocumented migrant workers in this field. In France, Spain and Italy, this has contributed to fostering quasi market solutions, characterized by the predominance of workers directly recruited by private individuals to perform domestic and care activities in their home.

It is against this background that these countries face the challenges posed by the recent economic crisis, such as fiscal austerity and low economic growth, which make it more difficult to pursue affordability, service quality and decent working conditions simultaneously. My analysis of the recent developments in the care and domestic services sector aims to contribute to the understanding of this issue by analyzing how policies that have recently been introduced in France, Spain and Italy deal with what Irvesen and Wren (1998) have called the trilemma of the service economy. In so doing, I start out from the acknowledgement that care and domestic services are responding better than other economic sectors to the downward pressure of the economic crisis,

and that cheap public policies continue to ensure the permanence of highly skilled women in the labor market. For the future, however, there is the risk of increasing competition between regular and irregular private markets, which could be accompanied by more inequality among workers in the care and domestic services sector as well as between different segments of female employment, while failing a better division of reproductive work.

It is in this perspective that this paper provides a comparative analysis of the French, Italian and Spanish contexts in relation to domestic and care provision particularly directed at dependent people most often belonging to the older age categories. For that reason, it looks in particular at Long Term Care Policies (LTC), namely the organisation and delivery of a broad range of services and assistance to people who are limited in their ability to function independently on a daily basis over an extended period of time, due to mental and/or physical disability (OECD, 2005)¹.

In the following pages, after a brief description of Irvesen and Wren's trilemma, the paper investigates: 1) recent state-interventions, since the beginning of the economic crisis, to promote the private employment of workers in the field of domestic and care services; and 2) the performance of the domestic and care sector during the period of economic recession, paying particular attention to the evolution of highly skilled female employment.

1. AFFORDABILITY, QUALITY AND DECENT WORKING CONDITIONS: A DIFFICULT TRILEMMA

In economics, affordability is usually expressed in terms of the maximum price that consumers could pay for a particular commodity, subject to their preferences and budget. In order to make a good affordable and maintain profits, one can either lower the cost of production or increase productivity. This latter is achievable when more goods are produced with the same amount of inputs or within a smaller amount of time.

In the case of domestic and care services, the time and the work spent per person is the essential part of the job. For this types of services, increasing productivity in economic terms would result in a lower quality or "amount" of output; for example, a lesser number of minutes taken to bathe a sick person or feed a child. Moreover, the possibility of reducing the cost of production by passing wage increases on to the price paid by the care user is usually a limited one, since the majority of beneficiaries are strongly income constrained. This means that productivity gains in the context of the care and domestic sector are very limited or else expensive, since the cost of this type of work rises to a relatively greater degree than in other sectors (Baumol, 1972).

The affordability of care and domestic services also depends on the informal caregiver's opportunity cost. In the informal care and domestic sector, well-educated women are supposed to experience rising cost of staying at home to care for others, as

¹ OECD (2005) Long Term Care for older people. Paris

real wages rise due to productivity increases elsewhere in the economy (Himmelweit, 2005). This would result in an increase in female participation in the labour market and in the demand for work/life balancing services (Morel, 2015). The higher the relative price, the lower the demand for such services, because they could be done for free through informal domestic and care provision. This means that the elasticity of the demand for care and domestic services, and thus the user's response to a change in price, is expected to be relatively high. Therefore, while women will be more aware of the increasing cost of being unemployed, the relative price of domestic and care services will rise accordingly.

In dealing with low productivity and increasing cost, different types of state involvement and arrangement can be introduced in order to sustain the development of the care and domestic services sector. This set of policies would imply different trade-offs. Irvesen and Wren (1998) have termed these political choices the trilemma of the service economy (Irvesen and Wren, 1998; Carbonnier and Morel, 2015). Since solidaristic wage policies have a tendency to choke off employment in the low productivity service sector, governments that want to maintain a commitment to equality in wage-setting face a distributional choice. They may either opt to sacrifice the goal of employment creation in favour of maintaining higher rates of equality among wage earners, or they can opt to support both employment creation and equality, but at what is – all other things being equal – a higher level of government spending and taxation. Here is the trilemma of the three-way choice: a government can simultaneously pursue at most two of the policy goals of employment creation, equality or budgetary restraint (Irvesen and Wren, 1998; Morel and Carbonnier, 2015).

In light of this, many policies established across Europe may be understood as a way to escape this trilemma. Rather than subsidising the employment of public services, quasi market solutions have been generally accompanied by labour market deregulation and by employment and migration policies tending to increase wage inequalities. This has resulted in many countries in the more or less direct funding of the private market of domestic and care services, in the form of workers being directly employed by households (Farvaque, 2013).

In a process of the marketization of domestic and care activities, profits are likely to be squeezed by rising costs, and the only ways of staying profitable are lowering wage costs or reducing standards. But employers may not be able to recruit or retain workers if they pay wages that increasingly lag behind those available in other types of work. To cope with rising costs and labour shortages, there will be a tendency to employ less skilled workers and/or recruit from groups with restricted alternatives, which in many societies includes immigrants (Himmelweit, 2005).

During an economic crisis, cost-efficient policies – those able to maximize the benefits of the use of increasing scarce public resources – are likely to be particularly emphasised. The public cost of measures supporting the formal supply of personal and household services may be discussed in the political sphere and considered too high: as a sign of inefficiency, rather than the consequences of an inherent characteristic of care. By adding budget constraints to public finance, this context may prevent the

public authorities from implementing new support measures, or may put in question existing ones, thus leaving to the private market to play an even bigger role.

2. THE POLITICAL ECONOMY OF CARE AND DOMESTIC SERVICES IN EUROPE

A great expansion in the demand for and supply of migrant domestic and care work has begun in the last decades and a wide literature has analysed this contemporary development as the consequence of global socio-economic transformations². On the demand side: the ageing process, the rise in female employment, the progressive narrowing of familial ties, the emergence of new social risks, and the insufficiency or lack of work/life balancing services. On the supply side, the feminization of international migration, the greater polarization between skilled and unskilled female workers in national labour markets, and the growth of transnational economic inequalities within capitalist markets' expansions. Many policies introduced over these last decades sought to deal with these pressures. In light of that, many scholars agree in the acknowledgment of a Political Economy of care and domestic services, defined as those policy measures aimed at encouraging and organising the delegation of unpaid domestic and care activities and the development of the work/life balancing service sector (Carbonnier and Morel, 2015).

For instance, at the beginning of the 1990s, the European Commission identified care and domestic services as a strategically important sector in dealing with demographic and economic challenges³. European institutions have emphasized the employment potential of care and domestic services, under the broad category of Personal and Household Services (PHS)⁴. In times of high unemployment and increasing new social needs, the European Commission affirms that “the development of the services in question is either left to the undeclared employment market, or is publicly funded, which is expensive” (White Paper, 1993; p.19)⁵.

² In Europe, the development of the care and domestic services sector is a relatively recent process (Morel, 2015). Between the end of the Second World War and the 1970s, many authors, such as Stigler, Aubert and Coser considered wage-earning domestic and care work as an obsolete occupation, destined to gradually disappearing (Morel, 2015). According to Sarti, the number of domestic and care workers confirmed their arguments and forecasts (Sarti, 2010).

³ European Commission (1993), White paper “Growth, competitiveness, employment” COM 93(700).

⁴ According to the European Commission definition, PHS embraces both care activities and non-care activities, ranging from care services (childcare, home help, care for elderly people, etc.) and cleaning to private lessons, home repairs (electricity, gardening, etc.) and maintenance (administrative and technological help) (Farvaque, 2013).

⁵ On the demand side, for example, the White Paper suggested “incentives such as income tax deductibility, or the local issuing of vouchers along with the lines of luncheon vouchers, issued instead of providing the social services normally provided by employers and local authorities” (White Paper, 1993; p.19).

Looking at the Lisbon Strategy's objective of turning the EU into the most competitive knowledge-based society, Morel (2015) argues that European institutions' particular interest in developing care and domestic activities saw them more as sources of employment growth than as a social concern. In particular, she underlines that the sector was considered interesting from the standpoint of labour market policies on account of their capacity in creating local employment and their labour intensive content, while the potential for indirect productivity increases would be possible "if clients of PHS [were] able to focus more on their own, higher-productivity work" (European Commission, 2012; pg. 4; Morel, 2015)⁶. Finally, the development of the care and domestic sector would have the potential to increase overall female employment. The promotion of low-skilled jobs through labour cost reductions would also support the productive potential of high skilled female workers (Morel, 2015). That is, the productivity growth at the aggregate level would have been achieved through a composition effect, shifting more productive female workers to the market economy.

Four types of public policy tools aimed at encouraging the development of a regular care and domestic sector, which can be grouped as follows. On the demand side, 1) the reduction of the price of services and 2) the use of vouchers. On the supply side, 3) the introduction of new regulations regarding employment and 4) the regularization of undeclared domestic and care workers. It is possible to reduce the cost of services through tax breaks for both the employers and the employees. As examples of these, deductions and deductions are useful for lowering the cost of regular employment⁷. In many countries, fiscal incentives are accompanied with vouchers or specific schemes, as care allowances. These are intended to reduce bureaucracy and to guarantee a minimum quality standard through accredited services. Policy tools on the demand side have been mainly used in Continental and Northern European countries, but on a lower level, they are present also in Mediterranean countries.

3. THE SECTOR OF CARE AND DOMESTIC SERVICES IN FRANCE, SPAIN AND ITALY

Cash-for-care schemes are crucial in explaining the degree of regulation (or lack of it) imposed on the recruitment and management of care and domestic labour (Ungerson, 2003; Bettio and Plantagena 2004; Pavolini and Ranci, 2008; Simonazzi, 2009). Barbara Da Roit et al. (2007) argue that there are three possible connections between cash-for-care schemes and the development of regular employment: 1) the extent to which the working conditions of employees contracted under these schemes are regulated; 2) the extent to which the development of care employment relies on

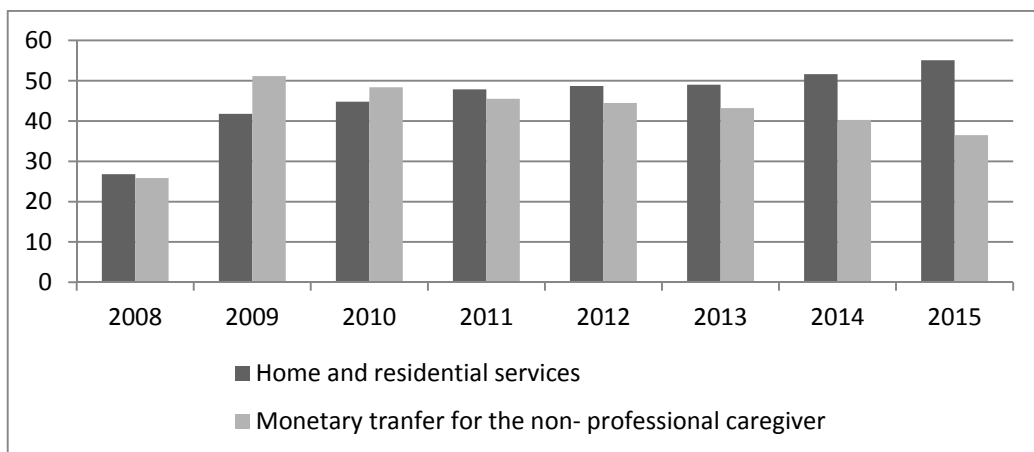
⁶ European Commission (2012), "Commission staff working document on exploiting the employment potential of the personal and household services" SWD(2012)95 final.

⁷ Tax deductions reduce taxable income; their value thus depends on the taxpayer's marginal tax rate, which rises with income. Tax deduction directly reduces a person's tax liability and hence has the same value for all taxpayers with tax liability at least equal to the credit.

resources distributed through cash-for-care schemes; and 3) the extent to which policies make an explicit link between the development of long-term care policies and employment in the care sector.

In Italy, the most important policy instrument provided to frail elderly and disabled people is a universal attendance allowance introduced in the 1980s. The assistance allowance is a national cash benefit funded by the National Social Security Institute (INPS). This benefit is not means-tested but only conditional on certification of severe disability, provided by the health authorities. The monthly amount in 2015 was 508,55 € and it can be freely spent. This allowance (0.70% of GDP) still represents the most important public intervention supporting dependent elderly people. In Italy, the total LTC public expenditure amounts to 1.27% of GDP, of which 21% for home-care services, 24% for residential services and 55% for care allowances (Ragioneria Generale dello Stato 2015)⁸. Around 10% of Italian elderly people benefit from this monetary scheme, with more than 25% of them living with a paid caregiver (Da Roit et al., 2007, Ranci and Pavolini, 2008).

Figure 1. Spain. Percentage of provision of home care and residential services and monetary transfers for non-professional caregivers



Source: IMSERSO

[Available at: http://www.dependencia.imserso.gob.es/dependencia_01/index.htm]

In Spain in 2007, the Dependency Act (Ley de Promoción de la Autonomía Personal y Atención a las Personas en Situación de Dependencia – LAPAD) has set up an ambitious program to provide universal public coverage to dependent people. The law envisages two types of benefits: services and cash benefits, depending on the degree of disability. Monetary transfers are provided to a non-professional caregiver or

⁸ Ragioneria Generale Dello Stato (2015), *Le tendenze di medio-lungo periodo del sistema pensionistico e socio-sanitario*. Roma

to accredited organizations and professionals. The non-professional caregiver can be a family member or a paid caregiver. The law intended cash benefits to be a “last resort” option, but they became the most common provision, at least until 2011 (Figure 1). Initially the state was committed to paying Social Security for non-professional caregivers. However, the huge spending meant that the LAPAD would have generated a debt to Social Security of more than 1,000 million euros (IMERSO, 2015)⁹. Following the reform in 2012, non-professional caregivers have to bear the total cost of their Social Security. This, together with reductions in the amount of the scheme of 15%, has led to a further decline of the number of LAPAD non-professional caregivers, from 46% in 2011 to 36% in 2015.

In France, service vouchers for elderly care are subsidized via the Personalised Autonomy Allowance (*Allocation Personnalisée à l'Autonomie – APA*). The APA is a universal programme enacted in 2002. It is granted to older people cared for at home or in institutions according to the highest category of dependency. Families can use APA to purchase a so-called ‘universal voucher’ (*Chèque Emploi-Service Universel – CESU*), to buy personal care and home help from accredited providers. There are two types of voucher. The first serves to declare the employee to public authorities, and then is used as a proof of legal expenditure. The second type of voucher scheme is called a “pre-financed” CESU, as it is partly or fully financed by a third party. An employer can spend CESU to purchase services from an accredited organization (profit or non-profit) or to hire directly personal and household services”. In France, jobs created with CESU represented between 15% and 30% of job creation during the 2006-2008 period. This massive public investment resulted in the creation of more than 330,000 jobs from 2005 to 2010. However this only represents 50,000 full-time jobs (Farvaque, 2013).

Table 1 reports some characteristics of the domestic and care work in the countries under analysis. Not surprisingly, in all countries domestic and care work continues to be a highly feminized activity. A clear and lasting gender segregation dominates the sector in all countries. Italy has the lowest percentage of female workers in both domestic and care work, but this is probably related to the evolution of migration policies. Indeed, greater possibilities for legal entry or regularization in the domestic sector have pushed many to register as domestic workers, even if might not have been their actual occupation. The only apparent reduction of segregation can be observed comparing both the nationalities and gender of the domestic and care workers registered in Social Security in 2009 and 2012 (Picchi and Simonazzi, 2014)¹⁰.

⁹ IMERSO (2015) *Dependencia «Un modelo sostenible»*. Datos estadísticos. Madrid

¹⁰ In 2013 the share of women was equal to 83.1% (791,000) and recorded a decrease of 5 percentage points as compared to 2004 (88.9%) due to the increase, during the same period of the number of men (+131.8% against +66.3% of women), rising from 55,000 to 153,000. The proportion of male workers increased from 11.2% of the total in 2004 to 16.2% in 2013. Yet the rate of female workers decreased only in 2009 and 2012, when many men registered as

The sector is also characterized by race segregation. France has the lowest proportion of migrant domestic and care workers. However, in the French case the so-called “assimilationist” model, means that the collection of data on the basis of ethnic criteria is forbidden by law. This makes difficult to calculate the amount of foreign care workers, or care workers of foreign origin. Estimates suggest the number of foreign caregivers at 28.6% of the total, which rises to 42.9% when workers of foreign background are included (IWAK, 2010)¹¹.

Table 1. The Personal and Household Service sector in France, Italy and Spain

	Sources and year	France		Spain		Italy	
		Home care worker	Domestic workers	Home care worker	Domestic workers	Home care worker	Domestic workers
% of women	Eurostat - LFS (2014)	89	92	89	86	87	85
Average hours worked per week	Various sources*	20		23		21	
% of foreign workers	Various sources**	29		48		79	
Minimum wage	Various sources***	Yes		Yes		No	
Maternity/Sick pay	Various sources***	Yes		Yes		Yes	
Unemployment benefits	Various sources***	No		No		Yes	
Professional training	Various sources***	Yes		No		Yes	

Note:

* France: Court de Comptes (2014), *Le développement des services à la personne et le maintien à domicile des personnes âgées en perte d'autonomie le développement des services à la personne et le maintien à domicile des personnes âgées en perte d'autonomie*,

Spain: Ministry of Labour and Social Security (2012),

Italy: National Social Security Institute, [available at: <http://www.inps.it/webidentity/banchedatistatistiche/domestici/index01.jsp?>]

domestic workers in coincidence with the regularization of migrant workers (Picchi and Simonazzi, 2014).

¹¹ IWAK (2011) *Creating Formal Employment Relationships in the Domestic Services Sector: Successful Strategies? Insights from the Project “Labour Market Measures for Reducing Illegal Employment in Private Households of the Elderly”*.

** France: Ekert S. (2010), *The French Approach for fostering legal employment in the households (of the elderly)*, Berlin: InterVal GmbH.

Spain: Ministry of Labour and Social Security

[available at: <http://www.empleo.gob.es/estadisticas/bel/index.htm>]

Italy: National Social Security Institute

[available at: <http://www.inps.it/webidentity/banchedatistatistiche/domestici/index01.jsp?>]

*** National Labour Contract

The domestic and care services sector is a typical example of a marginal labour market sector where low pay, poor working conditions, little opportunity for career development, high vacancy and turnover rates prevail (Simonazzi, 2009). Jobs in the domestic and care sector are still associated with less social recognition than many others occupations, and generally countries have “exceptional” employment regulations in this field. Italy for example, has one of the oldest regulation systems in Europe. Nevertheless, the absence of a national minimum wage and of protection from dismissal, badly affect workers. There is no need for employers to comply with the possible reasons for dismissal such as they are defined by Italian law. Nor are they obliged to provide a written dismissal statement, which is however a precondition for workers being able to access unemployment benefits.

Elements such as the wages in a sector and its status play a central role in convincing people to consider taking up employment therein. The attractiveness of the sector remains low, in all countries, with domestic and care workers working on average 22 hours per week. This means that only a small number of workers are employed full-time in the sector and in average, they earn low wage. In France for example, an average worker working 22 hours per week would receive a net monthly wage of between €630 and €690, which is far below the national average (Farvaque, 2013)¹².

The interaction between welfare and employment in institutional settings only partly explains the gendered and racialized segmentation both within and outside care labour markets and the magnitude of care labour shortages (Simonazzi, 2009). The denial of the social value of care and domestic work is another strong deterrent for improving working conditions. Gender, class and ethnic hierarchies are transmitted to the labour market and perpetuated through very uneven working conditions (Federici S., 2012). This is not only exploitative but it jeopardises the quality of services (Ibáñez and Leon, 2014).

3.1 POLICIES ON THE DEMAND SIDE

The most important factor affecting the difference in the cost between regular and irregular workers is represented by the fiscal wedge; namely the difference between take-home pay and the total labour cost. Although policies such as fiscal and voucher schemes are promoted because they are considered particularly positive in reducing

¹² The two largest categories in CESU system, household services and assistance to vulnerable people, perceive a net wage 18% lower than the minimum wage (Farvaque, 2013).

this difference, some elements of concern remain. The persistence of labour shortages will be addressed below. In this section, I will describe the distributive effects and the expected high elasticity of the demand for regular care and domestic services, with particular attention to recent interventions in France, Italy and Spain.

Table 2 provides a summary of policies on the demand side, and gives an example of the distribution of social charges of a non-professional domestic worker directly employed for at least 10 hours per week in the countries under analysis. In the French case, which presents a level of cost for the employers of 25%, the total cost is almost halved after the deduction available with the voucher scheme. In Spain, employers are obliged to make a 18,3% contribution, while the corresponding figure for employees is 3,7%. In Italy total social charges amount to 32% of the wage, of which domestic workers are obliged to pay 29% and employers cover up to 3%. Italian household do not have the possibility to reduce the price when the service is rendered, but they can deduct annually from taxable income.

While cash-for-care schemes are crucial policy instruments in all three countries, it should be noted that only in France is the link between monetary transfers, the fiscal advantages and the voucher, an explicit one. The control principle implemented in France has had major consequences for the development of a regular domestic and care services sector, for job creation and GDP growth¹³. On the contrary, in Italy and Spain, a low level of fiscal incentives and unconditional cash-for-care schemes have partly encouraged the growth of a black and grey market¹⁴. Only recently in both Mediterranean countries has there been a growing debate about the improvement of fiscal and voucher schemes. Finally, undeclared work on the black market is one of the obstacles impeding the development of jobs in the domestic and care sector. It is dominant in Southern European countries, amounting to 70% of all care and domestic workers both in Spain and Italy. Not France has been able to eradicate this phenomenon completely. Estimates should be treated with caution but they suggest that the irregular sector is not decreasing. In the domestic and care sector, this can be explained by the fact that undeclared work compensates for the labour shortage in the formal economy.

In Italy, service vouchers were introduced as a new form of employment contract in 2003, under specific regulations concerning occasional work. Initially the service voucher system was intended only in particular circumstances to employ specific groups of workers for a limited range of activities, including domestic activities¹⁵. In

¹³ Between 2005 and 2011, over 330,000 jobs were created, although they were far from the 500,000 expected. According to data from the NASI, the impact on GDP in 2011 was estimated at about 1% for the entire sector.

¹⁴ In Italy for example, a caregiver on a regular contract would cost about 40% more than an irregular worker, a percentage that varies depending on the tasks, nationality, working hours, and the conditions prevailing in the black market (Picchi and Simonazzi, 2014).

¹⁵ To avoid potential overlaps with public provision, care services have been considered as being excluded from this scheme, as they were addressed formally within the terms of public elderly care and child care provision measures.

practice, the voucher system was not used until 2008 (Farvaque, 2013). Since then, the use of the voucher system has grown constantly, but domestic workers remain only a small proportion, representing 5% of voucher employment in 2015. The scheme is still ongoing and evolving. In 2013, a bill proposing to enact a universal voucher scheme for personal and household services was discussed in the Italian Parliament. Censis - an Italian research institute on socio-economic issues - published a report assessing the potential impact of this new voucher on the Italian labour market and public finances. The universal voucher would create 315,000 new jobs in 5 years, and would have earn-back effects amounting to almost 80% of the scheme's €3,500 million annual cost for the state (Censis, 2014).

Table 2. Main characteristics of fiscal advantages in France, Spain and Italy in 2015

	France	Spain	Italy
<i>Social contributions paid by the employer</i>	25,5%	18.3%	29,9%
<i>Tax paid by the employee</i>	2,5%	3.7%	2,8%
<i>Type</i>	Tax deduction	Tax deduction	Tax deductions for domestic and care workers Tax deduction only for care workers
<i>Description</i>	50% of total cost (wage + social contributions)	20% of social contributions only for domestic workers (45% for large families)	Domestic and care workers: deduction of social contributions; limit: €1,549 annually Care workers: deduction by 19% of the total cost up to €2,100 annually (if income doesn't exceed €40,000 annually)
<i>Max. threshold</i>			€1,549.37
<i>Voucher</i>	CESU	Not present	Buono Lavoro
<i>Type</i>	Personal and household services	Not present	Occasional work
<i>Cost for the user</i>		Not present	10 €
<i>+ cash for care</i>	Yes	Not present	No
<i>% of irregular employment. IWAK (2010)</i>	30%	70%	70%

Source: Author's elaborations

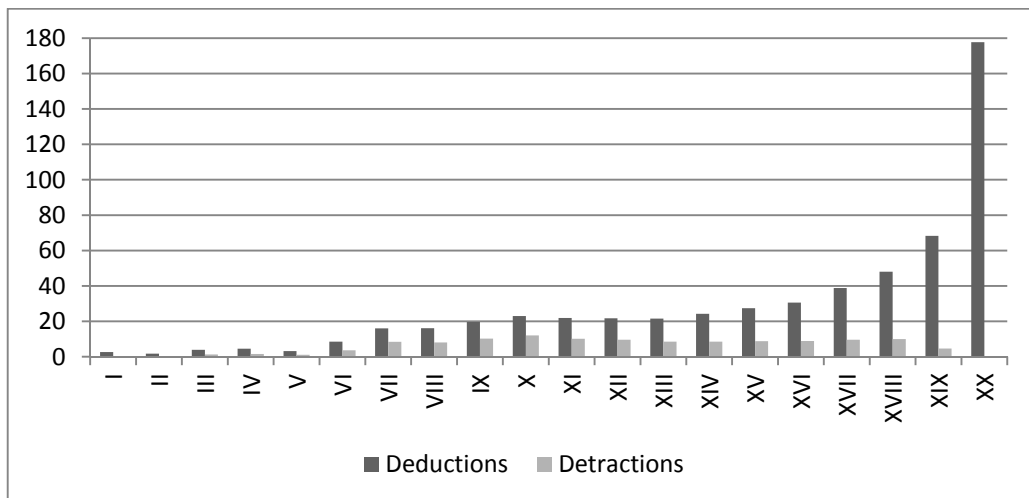
In Spain, there is no form of voucher scheme, and the introduction of deductions for domestic workers came only in 2012. This measure was preceded by a broader plan to improve the regulation of household jobs and to regularise undeclared jobs. In 2011 the Spanish Ministry of Health, Social Services and Inequality proposed the introduction of different fiscal schemes. For the employer, this would mean an income tax deduction 50% of the cost of services received at home, with a maximum threshold of €5,000 per year. For the employees, it would mean a 20% income tax reduction. The first measure is similar to the French model. In its simulations, the Spanish Ministry compared different possible thresholds for the maximum deduction. Raising the threshold would have resulted in increased numbers of potential beneficiaries. Passing from a threshold of €2,500 to €5,000, the number of possible beneficiaries would have increased from 6.8 to 10.1 million with an increase from €324.2 to €486.2 million (Villota et al., 2011). Deductions are possible if there is taxable income. Hence, elderly people on low pensions, who usually do not pay income tax, would have not benefited from the tax break¹⁶. According to the Spanish National Institute, a quarter of elderly population did not reach the amount of 9.000 euro per year in 2012 (Encuesta de Condiciones de vida, 2012)¹⁷.

Those countries that look with particular attention at the French system of domestic and care services should carefully consider the distributional implication of fiscal policies with a social content, particularly in a context of economic downturn. It is usually emphasized that in France the tax reduction mechanism favours high-income families while very low-income families benefit from exemption from co-payments, leaving middle-income families to shoulder a comparatively larger share of the financial burden of care provision (Carbonnier et al., 2014; Cour de Comptes, 2014). On a lower level, a distributive effect is observable also in the Italian case. Figure 2 shows the number of beneficiaries of deduction and deductions in Italy in 2013 by income ventile. Those who benefit from a deduction are asymmetrically distributed toward higher income classes, while the beneficiaries of deductions present a more bell-shaped distribution. It should be noted that lower income classes are not particularly affected by either measure.

¹⁶ In Spain, the incomes tax threshold was €1,626 in 2014 and €2,000 in 2015.

¹⁷ Instituto Nacional de Estadísticas (2012), Encuesta de Condiciones de Vida (ECV-2012). Madrid

Figure 2. Italy. Beneficiaries of deduction and detraction for domestic and care work by income ventile in 2013



Source: Ministry of Economy and Finance

[Available at: http://www1.finanze.gov.it/finanze2/pagina_dichiarazioni/dichiarazioni.php]

No contemporary study has calculated or evaluated the net costs for the French government of operating the service voucher scheme, but many scholars highlight the fact that the use of formal contracts in the service voucher scheme is largely dependent on economic incentives (Morel and Carbonnier, 2015; Farvaque, 2013). According to a 2008 study by the National Agency for Services to Individuals (NSAI), a 10% reduction in the degree of subsidisation of social contributions would lead to a reduction of 4.9% of services declared (Picchi and Simonazzi, 2014)¹⁸. This means fiscal regulation is an extremely important means of maintaining regular employment. These tax reductions, exemptions from social security contributions, and special VAT rates, allow associations and enterprises to offer services at about 10% below the price of undeclared labour (Farvaque, 2013). IRCEM, a federation of household workers, has calculated that tax reductions almost entirely explain the fluctuations in employment. An increase of 1% in fiscal reductions translates into a 0.5% increase in the number of employed people (Farvaque, 2013). However, as exemptions from social security contributions were abolished and VAT was raised to 7% in 2012, the price of personal services exceeded the price of undeclared labour by 10% (Farvaque, 2013). Given the high elasticity of the demand for regular care, the reduction of public funding clearly harms prospects for greater competition with the black market in this sector, not only for enterprise, but also for the workers and service users concerned.

¹⁸ However, among older people, the elasticity to incomes is lower because of the presence of public support for the lowest incomes. As a result, the elasticity is inferior to 1 among single persons over 60. (Farvaque; 2013).

3.2. POLICY ON THE SUPPLY SIDE

Even more binding financial constraints meant that Southern European countries intervention on the development of the care and domestic sector, has been limited mostly to the supply side¹⁹. Interventions such as regularizing migrant workers or new employment regulations, are largely ineffective in increasing regular work. In particular in a context of an economic crisis, Ibáñez and Leon (2014) suggest two possible: the difficulty of complete controls in the private home and the existence of a large irregular employment, which has traditionally characterized Mediterranean economies²⁰.

Migrants cannot be considered the cause of the high level of irregularity in the domestic and care sector: in fact many scholars have argued the so called “migrant in the family” solution has been supported by the large informal economy that characterizes Southern European countries (Bettio et al., 2006). As King and Zontini (2000) point out “the informal sector is dynamic and probably expanding: above all it is a flexible and pragmatic response to heavy state regulation and to global processes of restructuring and competition connected to the international division of labour.” (King and Zontini, 2000, pg. 8).

Decreasing subsidies to support demand for regular employment coupled with a large informal economy – fuelled by migrant and national like – is bound to increase the segmentation of the domestic and care services market: between natives and migrant, between documented and undocumented migrant and between different nationalities. Given the established unequal distribution of reproductive labour, the competition is unlikely to shape also gender segregation, for instance with an increase of male presence in the sector.

Figure 3 provides information about the rate of irregularity in the domestic and care sector in Italy, measured as the percentage of non-regular workers of the total number of works. In the early 2000s, the fiscal advantages and the voucher scheme described in the previous section had minor consequences in reducing the rate of irregularity. After the peak registered in 2001 (81%), the regularization of migrant workers strongly reduced this rate, which fell by 16% by 2003. The rate of irregularity remained stable between 2004 and 2007. The subsequent slight decline (-3%) can be attributed to the entry of Romania and Bulgaria into the EU and to the 2007 National Labour Contract, which established the professional figure of the family assistant. Since the beginning of the economic crisis, two regularizations of migrant workers were passed. The first came in 2009 and the rate of irregularity fell by 6% between 2008 and 2010. The second came in 2012, with a corresponding reduction of 3% between 2011 and 2013. With these last regularizations, the strictness of the

¹⁹ Also in France, the entrepreneurship encouragement and the development of companies (be they for-profit or not-for-profit) have been introduced to improve the supply of the market.

²⁰ The informal economy in Italy and in Spain represents more than 20% of GDP (Picchi and Simonazzi, 2014).

requirements and households' reduced purchasing power probably did not influence the convenience for both employers and the employees of remaining totally or partially irregular.

Figure 3. Italy. Irregularity rate in the domestic and care sector



Source: Istat, *Economic Account*, Ministry of the interior
 [Available at: dati.istat.it]

Given the requirements of the 2012 regularization, the only advantage for families was to exit from an unlawful situation. But it seems that for many of them this aspect was not of great importance²¹. Several factors explain this behaviour, including low income levels. More precisely, for the families that were supposed to bear most of the cost. The requirement of a lump sum of €1000, to be paid by the employer, represented a strong deterrent. The minimum threshold of 20 working hours per week in a single family excluded the substantial, and increasing, share of the market based on hourly work. This limit was easily reached by family assistants who work with dependent people requiring a lot of care in terms of hours, but was uncommon among maids, who seldom work 20 hours a week within the same family. Moreover, the complexity of the procedure played an important role; while households also faced the obligation to comply with social security contributions and the system of rules, rights and obligations.

4. THE POLITICAL ECONOMY OF CARE AND DOMESTIC SERVICES IN EUROPE

Between 1985 and 2012, domestic and care workers in Spain were covered by a “special employment relationship” that gave them a very weak status in terms of protection and rights as compared to the rest of the workforce. This specific position

²¹ According to the ACLI (the Christian Association of Italian Workers), between 30% and 40% of families renounced to apply for regularization (Picchi and Simonazzi, 2014)

was justified by the particular nature of domestic and care activities, which should be primarily governed privately and by relationships of trust (Huerta, 2013)²². In 2012, a new regulation was endorsed by the previous Government. Under the influence of ILO Convention n. 182 against Child Labour, the Royal Decree 1620/2011 on working conditions as well as the Law 27/2011 on social protection were enacted²³. Several changes have been made to improve working conditions. The minimum wage is now applied and it must be paid in currency rather than in kind. The new regulation has also established the statutory maximum working week of 40 hours as well as the minimum length of the remaining 12 hours (previously 10 hours). Workers are finally included in the social security system and a written contract is mandatory once a working relationship has lasted more than four weeks (Otxoa Crespo, 2012).

The 2012 regulation has squeezed the sector more than the last regularization of migrant workers in 2005²⁴. On this occasion, the number of those regularly registered in the social security system has almost doubled, passing from 185,000 to 359,000. The number of regular workers then diminished by 25% between 2006 and 2008. After this point the number of cases remained stable until 2011, while it more than doubled after Decree 1620/2011 and Law 27/2011. As Figure 4 shows, the workers registered in the social security systems rose sharply, by 126,600 between 2011 and 2013. Although the number of those registered in Social Security remained stable until 2015, this trend can be considered countercyclical, since the overall number of regular workers registered in the general system of Social Security dramatically decreased, by about 2 million (-19%), between 2008 and 2015.

Despite the advancement in terms of rights and social protection, the new regulation of domestic work has had a limited effect in reducing irregular employment. The Spanish National Statistical Institute estimates a total of 700,000 domestic and care workers, meaning that 126,600 remain uncovered by the regulations. Moreover, some controversial issues still remain especially with regard to wages, the contribution system and unemployment benefits (Huerta, 2013). As concerned wages, for example, the legislation could not go beyond guaranteeing limited improvements in the

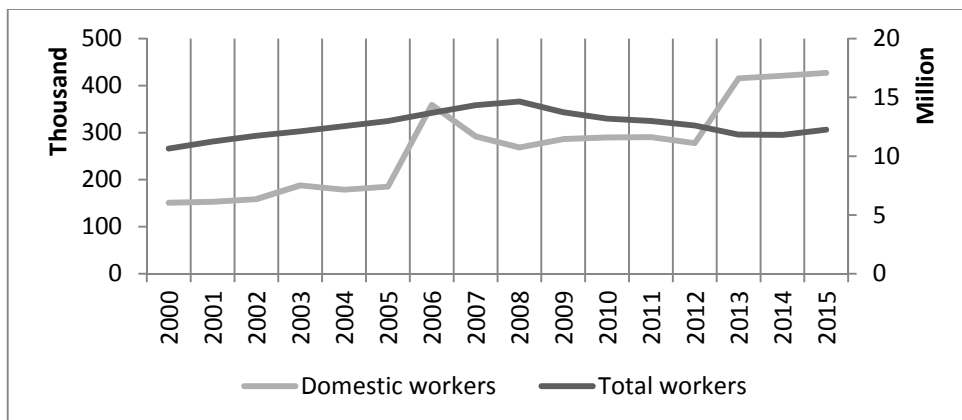
²² Some of the main features of this separate set of employment and social security regulations were the facts that the employment contract could be also verbal, and domestic workers were not entitled to unemployment benefits. Moreover, social security contributions amounted to 22% of pay, of which the worker paid 3 percentage points. On the other hand, domestic workers employed in different households must pay the whole amount, while their employers were exempted (Otxoa Crespo, 2012).

²³ In 2011, the International Labour Organization (ILO) adopted Convention 189 and Recommendation 201 concerning decent work for domestic workers, aimed at improving the working and living conditions of tens of millions of domestic workers worldwide

²⁴ In Spain, according to the picture provided by the Spanish regularisation process, the principal employment sectors were domestic and long-term care (33.42%), construction (2%), agriculture (14.16%) and the restaurant business together with the food industry (10.77%). Less significant were commerce, with approximately 4.7%, and the textile industry, with 2.5% of applicants (Spanish Ministry of Labour and Immigration 2005). Data available at <http://www.empleo.gob.es/series/>

application of the national minimum wage (Ibáñez and León, 2014). And, thus, given that wages are generally low in the domestic sector, the application of a very low national minimum wage did little to improve wages²⁵.

Figure 4. Regularly registered workers according the Regime of Social Security



Source: MESS, Ministerio de Empleo y Seguridad Social (Ministry of Labour and Social Security) [Available at: <http://www.empleo.gob.es/series/>]

To sum up, without any intervention to support demand, which would entail greater public spending, policies directed at the labour force have a low possibility of substantially reducing irregular employment in the domestic and care sector. On the other hand, in times when there is a high unemployment rate and increased demands for social protection, policy on the supply side can easily collect returns for the State, in term of taxes and social contributions.

5. THE CHALLENGE OF THE TRILEMMA DURING THE ECONOMIC CRISIS

There is a greater academic interest in understanding the relationship between wage dispersion and total working hours in female employment. As we have already argued, by reducing the relative price of domestic and care services, the affordability for high skilled women can increase. Estévez-Abe (2014) argues that it is challenging to find empirical evidence of this relationship, given the presence of voucher schemes and of a large irregular and informal domestic and care provision. In reducing the actual cost of such services, voucher schemes lower domestic and care workers' nominal wage. Moreover, the effect of wage dispersion is underestimated because of the lack of information on informal and irregular domestic and care provision (Estévez-Abe, 2014).

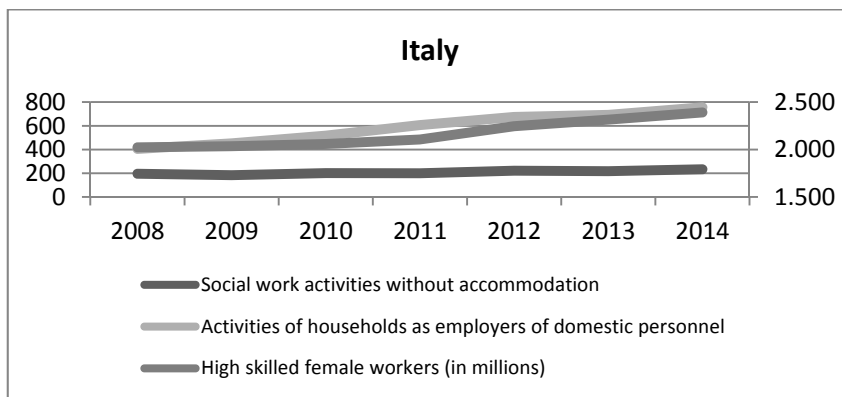
²⁵ The national minimum wage was €645.30 per month in 2013, well below the threshold set by the European Social Charter of 60% of the average national wage (€1,640 per month in Spain in 2013).

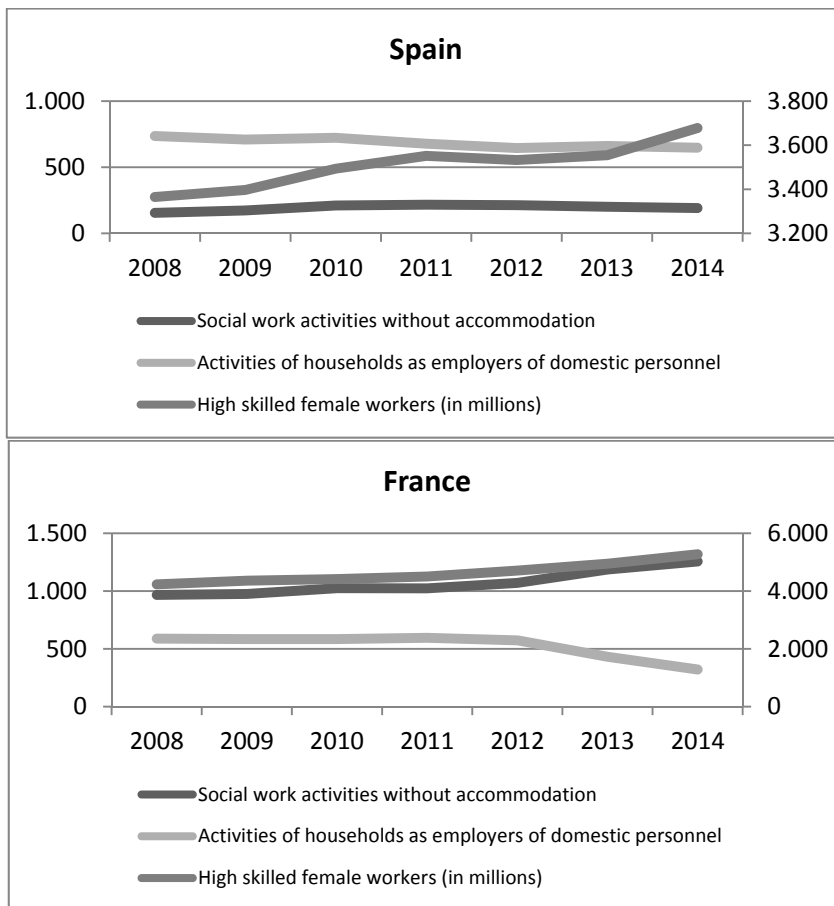
Despite empirical difficulties, it can be observed that since the beginning of the economic crisis the number of high skilled female workers has risen in France (+ 1.043,6; +24%), Spain (+ 313,2; +9%) and Italy (+ 367,5; +18%). This upward trend may also be encouraged by the endurance of care and domestic employment during the economic downturn (Figure 5).

In France the number of those recruited to perform domestic tasks and of social home care workers remained substantially stable until 2012, after which the former group gradually fell in number (- 252,400, -44%) while the second rose slightly (+ 184,400, +17,2%). The reduction is probably the effect of the reduced VAT rate changing from 5.5% to 7% in 2012. According to Eurostat figures, Italy is the country where jobs in the domestic services have increased the most since the beginning of the economic downturn (+ 350,300, +86%). The regularizations in 2009 and in 2012 have partly favoured this upward trend by absorbing a pre-existing irregular supply. In Spain between 2008 and 2014, there is evidence of a slight decline in the domestic work force (- 87,900, -12%). On the other hand, social workers have slightly increased in number (36,800, + 24%).

The recession has not halted the ageing process. Demand for elderly care has continued to grow, and there is a persistent labour shortage in the care and domestic sector in each of the countries under analysis (Bettio et al. 2012).

Figure 5. Activities of households as employers of domestic personnel and Social work activities without accommodation and high skilled female employment





Source: Eurostat, Labour Force Survey
 [Available at: <http://ec.europa.eu/eurostat>]

On the other hand, the growth in demand for elderly care could be delayed by the reduction of private and public funding. Given this retrenchment and the maintenance of an unequal redistribution of informal domestic and care activities, it is possible that during the recession high-skilled female workers could count on the relatively cheaper cost of low-skilled jobs. In order to substantiate this claim, a further investigation is needed to confirm that the reduced gender gap registered during the recent economic crisis is probably also the consequence of a growing polarization of female employment.

CONCLUSION

I have compared the development of care and domestic services during the economic crisis in Spain, France and Italy. The analysis carried out in this paper suggests that during the economic recession, the trade-off between wage inequalities, good service quality and the affordability of domestic and care work is likely to be

overridden. Public services can represent an overly heavy burden on public finance, while a larger irregular domestic and care private market as well as fiscal policies can contain the (wage) cost of services. All other conditions remaining constant, this would ensure the resilience of the private provision of domestic and care services, as well as the relatively positive female labour market outcomes during the recession. On the other hand, this would also entail greater wage dispersion in the composition of female employment. In light of that, an empirical analysis is needed in order to understand whether during the economic crisis, increased wage inequality has positively influenced highly skilled women's probability of outsourcing informal domestic and care activities. A deeper comprehension of this functioning is necessary in a context of public budget constraints, which can lead to care reforms aimed at focusing on those at greatest need and enhancing the role of the market.

The possibility to externalize domestic and caring function has had the potential to liberate women from their family obligations allowing them to participate in paid labour market as well as to provide an income, often low, to the care workers who frequently are migrant women. Otherwise the process of marketization of care has failed a better division of reproductive work. The gender distribution of care work is left unchanged in this "global" arrangement and reproductive activities remain a "female" matter since care work is redistributed between women according to different classes and backgrounds. While this represents a new dimension of inequality, it nevertheless superimposes itself on earlier patterns in welfare studies.

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