

Formalizing domestic work through the use of service vouchers

The particular cases of France, Belgium and the canton of Geneva

1. Introduction

In 2011, the ILO adopted Convention n° 189 and Recommendation n° 201 on decent work for domestic workers.

All over the world, a large proportion of domestic workers remain in the informal economy, and this prevents them from fully enjoying all the rights enshrined in these new standards.

Various countries and regions have set up service voucher schemes that help domestic workers to emerge from the informal economy by easing the administrative burdens on the private citizens who wish to employ them. This report briefly describes how schemes of this kind have been put in place in France, Belgium and the Swiss canton of Geneva, three places where they work particularly well.

As the great majority of the workers employed through these service voucher schemes are women, the words “she” and “her” are applied to them in this report.

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2. France: the universal service employment voucher

Introduction

In 2006, France introduced the **universal service employment voucher (Chèque emploi service universel or CESU)**, a scheme that makes it easier for private citizens to pay for services to individuals (*services à la personne*).

Very varied occupations fall within the scope of the 21 services to individuals covered by this scheme. Housework and domestic tasks are among them. Others include small-scale gardening and maintenance, child-minding, help with school homework, preparing meals, assisting older people or others needing personal assistance at home (except for medical services), assisting people with disabilities, caring for pets, helping with home-based administrative tasks etc.

In principle, these services are provided at the home of the individual concerned, but they may also take place outside the home, provided they are an extension of home-based services. Thus, the CESU may be used to pay for child-minding outside the home by an approved childcare assistant, a care structure (a creche, drop-in care centre or kindergarten) or out-of-hours care in schools.

In the second quarter of 2010, almost 1.5 million employees were working inside private individuals' homes. If child-minders who work in their own homes are included, the individual services sector employed almost 1.8 million people in the second quarter of 2010.¹

Most of the jobs paid by CESU are performed by low-qualified women.

Minimum wage rights

The net wage paid is decided by the individual employer, but cannot be below France's index-linked all-sector minimum wage (Smic), which is currently €7.37 net per hour (US\$9.43). The employer has to add 10% to cover the home worker's paid annual leave.

The employer must also respect the wage scales set by the collective agreement for employees of private individuals. This collective agreement takes account of the employee's qualifications level.

According to the first edition of the quality and professionalization barometer for jobs in services to individuals, published in 2010 by the **National Agency for Services to the Individual (ANSP)**, the average net hourly pay rate in the whole of the individual services

¹ Dares (Research, study and statistics directorate of the French Ministry of Labour, Employment, Vocational Training and Social Dialogue), *Les services à la personne en 2010 : stabilité de l'activité globale, après le ralentissement de 2008-2009*, September 2012.

sector is €10.00² (US\$12.80). In the two largest categories of services to the individual (domestic work and assistance to those requiring care), it is €9.00.

This ANSP analysis adds that, in terms of remuneration, the problem is not so much the hourly rate as the difficulty faced by some of the employees in securing the number of hours that they wish to work. Another report by the ANSP and the BIPE³ shows that, in order to get their hours up, they opt for multiple employers and types of job:

- 35% of the employees work in at least two types of service to individuals
- 28% combine direct employment with employment via an organization
- 15% also work in another economic sector.

Simplifying the procedures

One of the great advantages of the CESU is that it simplifies the administrative formalities for private individuals:

- They do not need to register with the body that collects employee and employer social security contributions, nor do they have to issue pay slips. Just one declaration and one deduction are required for all contributions.
- They do not have to draw up an employment contract if the employee works less than eight hours per week or less than four weeks in succession.
- They do not have to calculate the employee's paid leave (as it is included in the 10% paid on top of the employee's wages).

Two types of job voucher

There are two types of CESU scheme:

The declaratory CESU

This enables declaration of the remuneration paid to a worker who is directly employed by a private individual in that individual's home. The declaration can be made via a "universal service job" voucher book, or on a social stub in a carnet, or online.

- a) The "universal service job" voucher books can be obtained free of charge from any bank. The vouchers have two segments:

² See http://www.servicessalapersonne.gouv.fr/Public/P/ANSP/Actus/2010/20100519_ConfPresse_Barometre.pdf

³ BIPE/ANSP, *Tableau de bord statistique du secteur et portraits d'acteurs*, March 2012.

- The first segment serves to pay the worker. The employer fills it in like a bank cheque, indicating the net wage with the 10% surcharge for paid annual leave. The employee cashes it like an ordinary cheque, at her bank or the CESU Reimbursement Centre.

- The second one is the social segment. This is for declaring the worker and the hours worked to the **National CESU Centre (CNCEU)**. It takes the place of a declaration of employment. The employer fills it in within 15 days of paying the wage or in the course of the month in which the work is performed, and then sends it to the CNCEU. On the basis of this social segment, the CNCEU calculates the social insurance contributions and debits them to the employer's bank account. It sends the worker an employment certificate that exempts the employer from issuing a pay slip and gives the employee access to her social entitlements (pension, unemployment benefits, health insurance etc.).

b) The individual employer may also opt to declare the employee via a carnet of social stubs (i.e. without the cheque segments). The principle is the same: the CNCEU sends these documents to the home of the employer, who uses them to declare the remuneration paid by whatever means chosen (bank cheque, transfer, cash etc.) and regularly sends the stubs to the CNCEU.

c) The declaration can also be made online.⁴ This enables employers to see immediately how much will be debited to their account.

The prepaid CESU

The prepaid CESU is a fixed-value means of payment bearing the name of the person to whom it is issued. From 1 to 100% can be financed by companies, works councils or public employers for their staff (in which case they are known as "CESU RH"). People on social benefits may also receive them from social services, pension providers, regional bodies etc. (in which case they are called "CESU social").

In the case of direct employment, the individual employer hands the prepaid CESU straight to the employee. Just like the declaratory CESU, she cashes it in at her bank or the CESU Reimbursement Centre. It can also be used to pay recognized firms or associations that provide services to individuals.

The individual employer can top up the prepaid CESU with other forms of payment to the employee (bank transfer, cheque, cash, declaratory CESU etc.).

Private sector firms are given good incentives to provide prepaid CESU:

- A tax credit equal to 25% of the CESU financed (up to a maximum of €500,000 per tax year, i.e. about US\$640,000).

- The money that goes into prepaid CESU is exempt from social insurance contributions (up to a ceiling of €1,830 per employee per year, i.e. US\$2,341).

Growing success

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www.cesu.urssaf.fr

The proportion of private individual employers who use the CESU to pay their home employees has continuously increased. By mid-2010, it had reached 78% (as against 76% in mid-2009 and 56% in mid-2002). 2.15m private individuals were employers at that time.⁵

18% of private individual employers were still using the nominative simplified declaration (a less simple procedure, which notably involves registering as an employer), while 4% were using the PAJE, a child-minding benefit payable to the parents of children aged under 6.⁶

Different types of employment relationship

The CESU can be used to employ workers at home either in a direct employment relationship or via firms or associations that provide services to the individual.

Three main scenarios can arise, depending on the type of employment relationship.

a) Direct employment by a private individual: 918,990 employees in 2010

In this scenario, a private individual directly employs the waged person within the employer's home. The individual is that person's employer.

587 million hours were paid for in the course of one year to workers directly employed by private individuals in their homes. That is the equivalent of 282,000 full-time jobs (assuming a 40-hour week). It represents 66% of the remunerated hours of service to individuals within private homes.⁷

918,990 people were employed at others' homes in this way in 2010, the great majority of them part-time.⁸

b) Employment by an association or firm: 385,280 employees in 2010

Here, a recognized association or firm for the provision of services to individuals is the employer of the person who works in the private individual's home.

385,280 people were employed in this way in 2010, the great majority of them (88%) part-time. They put in more hours than those who are directly employed by private individuals (530 hours, as against 417 hours for direct employment). About three-quarters of these workers are on permanent contracts. 93% of them are women.⁹

⁵ Dares, *op. cit.*

⁶ *Ibid.*

⁷ *Ibid.*

⁸ *Ibid.*

⁹ *Ibid.*

28% of the paid service hours are devoted to housework. The biggest job category in this form of employment relationship is assistance to older people or those with disabilities (58% of the hours).¹⁰

In 2010, 68% of the paid service hours were by workers who are employed by associations (68%), while commercial firms remained in a minority.¹¹ 80% of these firms are medium-sized, small or very small.¹²

c) Direct employment by a private individual with the assistance of a placement structure: 168,222 employees in 2010

In the “placement” scenario, the private individual uses an organization that places a worker in the person’s home and takes care of the formalities (hiring, social insurance and tax declarations etc.). In return, the placement body receives a payment to cover administrative costs. So the private individual is the employer of the domestic worker, even though the placement body is supposed to remind the employer of the responsibilities arising from this situation.

In 2010, 168,222 people were employed in this way. They clocked up 81 million hours in all, a drop of almost 10% from the 2009 figure (this decline has been constant for several years now). 56% of the hours were for assistance to older people, 24% for housework and 8% for child-minding.¹³

Social security access

For workers, one of the great advantages of a scheme like the CESU is that it permits the regularization of undocumented work and facilitates access to social security.

When declaring their employees, private individuals can choose between a “real” and a “flat-rate” declaration. In the first case, social insurance contributions are calculated on the wages actually paid. But for a “flat-rate” declaration, which is less to the employee’s advantage, they are calculated on the minimum hourly wage, even if the actual remuneration is higher. “Up to 2006, the flat rate was the default position,” explains Danièle Maréchal at the CFDT (French Democratic Confederation of Labour). “If the employer didn’t tick the ‘real wage’ option, the contributions were automatically calculated on a flat-rate basis. From 1 January 2006, the procedure we have achieved is that, if the employer doesn’t specify an option, they’re always to be calculated from the actual wage.” Thanks to this development, the majority of private individual employers now opt for a “real” declaration.

¹⁰ *Ibid.*

¹¹ *Ibid.*

¹² Olivier Wyman, *Services à la personne. Bilan économique et enjeux de croissance*, 2012.

¹³ Dares, *op. cit.*

Despite advances of this kind, the scheme is sometimes accused of not doing enough to facilitate the workers' access to social security. For instance, in the case of direct employment (the formula most often chosen), if a worker is employed in the homes of a number of individuals and suffers a work accident in one of those homes, her work accident compensation will be determined by the time usually spent working in the home of that one individual. For the time usually spent working in the other individuals' homes, she will receive only sick pay, which is lower than work accident compensation.

Tax break

The CESU entitles the employer to a tax reduction or tax credit. The tax break is worth 50% of the amount spent (wages and social contributions), with a ceiling of €12,000 (US\$15,366). However, this ceiling can be raised in a whole series of situations (dependent children, invalidity, children with disabilities etc.).

In certain cases, the CESU also means exemption from employer contributions (for people aged 70 and over, those who have a dependent child with disabilities, those who have lost part of their autonomy etc.).

Social dialogue

A national collective agreement for the employees of private individuals was signed in 1999 between the trade unions and the **FEPEM (Federation of Private Individual Employers)**. It is renegotiated each year. Major points discussed by the French social partners have included the criteria defining the various types of job found in private homes (housework, child-minding, elderly care etc.), the skills needed to perform them and the wage rates that should correspond to them.

The unions have secured a levy on the wages paid by the employers. The proceeds go to fund trade union contact persons for the workers, as well as the holding of social dialogue. Another union gain is funds earmarked for the vocational training of domestic workers. This gives them the opportunity to gain diplomas that enable them to increase their wages or take up other trades.

Moreover, on 20 September 2012, two employers' associations (the **FESP – Federation of Enterprises Providing Services to Individuals** and **FEDESAP – French Federation of Individual and Proximity Services**) and three trade unions (**CFTC, CFE-CGT** and **CFDT**) in the individual services sector signed the first national collective agreement for individual services enterprises. Among other things, it highlights the need for professionalization (continuous training, mentoring etc.).

Another collective agreement, reached in 2010, is solely concerned with the employees of home help associations: the Collective agreement of the home assistance, accompaniment, care and services sector.

Direct employment or placement?

In 2010, 66% of the paid hours of service to individuals at home were within a direct employment relationship. The rest were via firms or associations.

From a trade union point of view, it is easier to get into contact with the employees of associations or firms than with those of individuals. The latter are represented by associations such as the FEPEM (Federation of Private Individual Employers), but the structure of an enterprise or an association enables negotiation with the direct employer. “We then have a collective to which we can address ourselves as unions,” notes Marie-France Boutroue, a confederal councillor at the CGT (General Confederation of Labour). “There are also more possibilities for checking if the workers’ rights have been respected, proper employment contracts have been signed, wages have been paid etc. And it’s easier to get transport costs reimbursed if you go through an association or a firm.”

The CFDT union regrets the fact that people who are directly employed do not have any guaranteed working hours. “When the employer doesn’t need her, for instance when the employer is away on holiday, the worker doesn’t receive any pay for that time,” Danièle Maréchal points out. “The collective agreement stipulates that, when an activity becomes regular, it has to be put on to a monthly footing: the private individual employer specifies the number of hours per week for which the worker will be needed, and then the annual sum to be paid to her is calculated and is divided by 12, so that she’ll receive the same sum each month, come what may. But in practice, we have difficulty in getting this monthly basis applied.”

However, the CFDT emphasizes that the commercial firms in this sector provide hardly any more services to the workers than do the direct individual employers. “The firms want complete freedom,” Danièle Maréchal explains. “They refuse to enter into any contract that sets a minimum number of hours per month. They only pay the employees for the number of hours actually worked in the individuals’ houses, just like in a direct employment relationship.”

But according to a study commissioned by the **FESP (Federation of Enterprises Providing Services to Individuals)**,¹⁴ the firms not only provided more hours (an average of 15.8 hours’ work as against 10.5 hours for those in unstructured employment), but also higher wages and greater stability. However, the study notes that services to individuals suffer from “a poor image among the public at large and the opinion-shapers, who often regard them as precarious, badly paid jobs”. Consequently, 56% of the firms experience recruitment problems.

Benefit to the State

A study published in 2012 by the Oliver Wyman consultancy and commissioned by the FESP¹⁵ emphasized that, while the development of services to individuals has been and continues to be strongly supported by the French State, it also generates substantial profits that contribute more than €2.6bn (US\$3.3bn) to the public purse.

¹⁴ Olivier Wyman, *op. cit.*

¹⁵ *Ibid.*

The direct gains are social insurance contributions (€4.9bn), VAT and direct taxation (€70m), and lower pay-outs of unemployment benefit and active solidarity incomes (€181m). According to the study, these sums are in themselves sufficient to cover two-thirds of the public financing.

The indirect benefits, put at €3.875bn, are mainly a reduction in the costs of supporting dependent people, minding young children and assisting with school work; the individual services firms' spending, which is passed on to other enterprises; and cost-saving through a reduction in the number of repeat school years, thanks to assistance with school work (as mentioned, the coverage of the French service voucher system extends far beyond housework alone).

The study also notes that services to individuals have a number of "relative impacts of an economic and social nature", which are difficult to quantify:

- They help to make up for the shortage of places in medicalized care establishments, notably those for older people, while achieving a high level of satisfaction among the users: longer lifespans for older people and greater comfort for the parents of young children.
- A reduction in the social costs linked to exclusion and precarity (health, crime, education, etc.)

The main costs identified in the study are the reduced social and employer contributions (€6.3bn in 2010).

3. Belgium: service vouchers

Introduction

In Belgium, a service voucher scheme came into effect on 1 January 2004. This is a federal government initiative with a number of aims:

- Creating jobs, mainly for low-skilled workers
- Converting undocumented work into proper waged work (a very large number of Belgian households were employing a domestic worker without declaring her).
- Helping users to achieve a better work-life balance (by entrusting certain household tasks to other people).

A private individual can use service vouchers to pay a recognized firm for help in the household. The firm then dispatches a worker to the person's home.

How it operates

The Belgian State selected a firm (Sodexo) to take on the task of managing the service voucher scheme. Individuals wishing to use the service voucher scheme must first register with this company. After their registration has been confirmed, they can buy service vouchers, which Sodexo sends them upon receipt of their payment. These service vouchers must be used within eight months.

Sometimes, the user already knows a domestic worker before using the service voucher system. This was often the case when the scheme was set up, at a time when very many Belgian households were employing domestic workers without declaring them. To be paid legally with service vouchers, the worker must agree to be taken on by a firm licensed to work in this sector.

In other cases, the individual does not know a domestic worker. So the prospective user contacts a licensed firm, which provides a "service voucher worker".

At the end of each stretch of work in the individual's home, the user hands the worker one service voucher per hour worked (each service voucher costs the user €8.50).¹⁶ The user signs each voucher, and notes the date and type of work performed. The worker gives these service vouchers to the firm that employs her. She is then paid €10.54 per hour worked. The firm gathers together all the service vouchers handed in by its workers and sends them back to Sodexo, which then reimburses the firm.

The firms receive €1.72 (US\$27.81) per service voucher sent back (the difference between the sum of €1.72 and the €8.50 paid by the user is covered by the Belgian State). The firm pays its workers by bank transfer. In 2011, the average hourly wage paid to service voucher workers was €10.54 euros (US\$13.50), to which the firms also had to add the payment of

¹⁶ Rate at 1 January 2013.

annual leave, a year-end bonus and the social insurance contributions that give the worker access to social security entitlements (pensions, healthcare etc.).

Alongside the paper service vouchers, there is also an electronic version. This works in a similar way to the paper ones. Each purchase of service vouchers is added to the user's electronic wallet. When the employee has finished her work for the day in the user's home, she confirms this to her firm via the user's phone (landline or mobile). The call charges are paid by Sodexo. A voicemail server accessible 24/7 records the call. As soon as the firm has validated the data online (at most, 5 days after the work was performed), the individual user can either accept or contest the work times recorded. This can be done by telephone or online within a period of four working days. At the end of that period, the work times are validated. In 2012, about 16% of the service vouchers used were electronic.

The user is not the employer

One of the particularities of the Belgian system is that the user of the service voucher worker, the person for whom she performs a whole range of tasks in the user's home, is not her employer. The employer is the service voucher firm.

These service voucher firms are of widely differing types: private commercial companies (particularly temp agencies), natural persons, non-profit associations, public social assistance centres, local government (municipalities), insertion enterprises etc. In 2011, the greatest share went to private commercial companies (46.4%), followed by natural persons (16.3%) and non-profits (12.5%).¹⁷ In August 2012, some 2,699 enterprises were licensed for service voucher work.¹⁸

In most cases, the firm signs an agreement with the user, roughly sketching out the type of work to be performed, the hours, the procedures to be followed if the worker or the user is absent, occupational health and safety issues, the period of notice required to terminate use of the service, etc. This agreement is not an employment contract. The employment contract is between the worker and the enterprise that employs her.

In 2011, 834,959 people used service vouchers, i.e. one person in every ten aged over 20 and living in Belgium.¹⁹

A specific employment contract

All workers employed under the service voucher scheme are bound by a particular type of employment contract, known as the "service voucher employment contract". The usual labour law provisions apply to it, such as the employer's duty to ensure a minimum working time of three hours (which can be distributed across several households).

However, some rules are specific to these service voucher contracts, for example:

¹⁷ Source : Idea Consult, *Evaluation du régime des titres-services pour les services et emplois de proximité 2011*, July 2012.

¹⁸ Statistics from the ONEM (Belgian national employment office).

¹⁹ Idea Consult, *op. cit.*

- From the first day of the worker's fourth month with the same service voucher firm, a service voucher employment contract becomes permanent.
- The minimum working week is 13 hours for workers who are drawing additional benefits (unemployment benefits or social assistance) and 10 hours for all other service voucher workers. Those drawing benefits must accept new work schedules applied by their firm, in order to reduce their dependence on unemployment benefits (in practice, given the difficulties encountered by firms seeking to recruit service voucher workers, this requirement to accept new schedules is not always applied).

A strictly limited list of activities

When it set up the service voucher scheme, one of the Belgian government's concerns was to avoid generating unfair competition in sectors where firms were already offering individual services at affordable prices. "In view of its cost to the public purse, a system like this can be created only in those sectors where no jobs exist, where there's a need to create new ones," explains Tom Parys, adviser to the Minister of Labour, Monica De Coninck.

So the government set strict limits to the list of activities that an individual can pay for with service vouchers:

- In the user's place of residence: room cleaning, laundry, ironing, occasional small-scale sewing, meal preparation.
- Outside the user's place of residence: household shopping, accompanied transport of people with reduced mobility, ironing (including repairs to the items that are to be ironed).

Another limit imposed by the Belgian government is that service vouchers are restricted to activities of a private nature. They can never be used for activities linked to the user's profession. So activities such as cleaning a doctor's surgery, a waiting room or a bedsit for let are not permitted.

Cost to the user

A service voucher costs €7.50 to buy, i.e. US\$9.60 (from 1 January 2013, this goes up to €8.50).

But in fact, it only costs the user €5.25 (US\$6.71) because sums spent on service vouchers are tax-deductible. These deductions are calculated on a taxation rate of 30%. However, the amount deducted cannot exceed €2,560 (US\$3,278) per year (for the 2013 tax assessment, on incomes from 2012).

Beginning with the 2009 tax assessment, users on low incomes are also able to benefit from this tax advantage, in the form of a reimbursable tax credit.

A specific provision concerns self-employed women workers, who can receive 105 service vouchers free of charge from their social insurance fund at the end of their maternity leave.

Maximum number of service vouchers per year

The Belgian government has set a purchasing limit of 500 service vouchers per person per calendar year.

However, certain categories of user can go above this ceiling:

- One-parent families, people with disabilities (and parents of minors with disabilities), and older people in receipt of the assistance benefit for older people can buy up to 2,000 service vouchers per calendar year.

- Since 1 January 2012, a household has been able to buy 1,000 service vouchers per calendar year.

Income of service voucher workers

In 2011, a service voucher worker earned on average €10.54 (US\$13.49) per hour.²⁰ The figure for 2008 was €8.76 euros (US\$11.21).

In addition to this wage, certain workers receive various non-wage benefits. Following a survey of service voucher enterprises, the firm Idea Consult revealed, for example, that 85.6% of them offer a year-end bonus, 83.5% a transport allowance, 64.4 % a work clothing allowance, 45.8% luncheon vouchers etc.²¹ Some of these benefits are collectively bargained.

Major job creation

A study commissioned by the Belgian government reveals that, in 2011, 149,827 workers were active within the service voucher scheme (9% more than 2010), this being the equivalent of 96,289 full-time jobs (as service voucher workers are employed for an average of 24.1 hours within the scheme). The number of service voucher workers has increased constantly since the scheme was introduced. Service voucher jobs account for 4.3% of all employment in Belgium.²²

Types of worker

According to the study commissioned by the Belgian government, in 2011, service voucher employment continued to be characterized by a stronger presence of women (97%), older workers (more than 60% of service voucher workers are aged 30-50 and almost one in five is aged over 50) and low-skilled workers (almost 60%).²³

The study also notes that one in four service voucher workers is not Belgian. 19% are nationals of EU countries other than Belgium, while 8% are of non-EU nationality. The

²⁰ *Ibid.*

²¹ *Ibid.*

²² *Ibid.*

²³ *Ibid.*

service voucher scheme helps workers of immigrant origin to gain acceptance by the users within their homes. “A Belgian user who would not necessarily turn to somebody of such and such an origin will agree to do so if she is with a service voucher firm,” emphasizes Philippe Yerna, the General Secretary of the CSC food and service workers’ union. “This is an employment integration factor for immigrant people.” However, some users still have misgivings. The study conducted for the Belgian government revealed that 18% reported being regularly faced with discriminatory remarks from users about workers of immigrant background, while 16% of users admit to misgivings about employing them.

Difficulties in recruiting workers

Many of the firms report that they have difficulty finding staff, despite the high rate of unemployment in some regions. These recruitment difficulties are, in the firms’ view, linked to the negative image that domestic work has (particularly among young people) and the reluctance of many service voucher employees to work more than part-time (because of the physical workload, the wish for a good work-life balance etc.) In a study conducted by the Idea Consult company for the Belgian government in 2010, two out of three firms stated that they had not been able to find a sufficient number of suitable workers in the course of that year.²⁴

“A worker retention policy on the part of firms is becoming essential,” says Sébastien Delfosse, Public Relations Director at the employers’ federation Federgon. “It has to go hand in hand with training because, as the market reaches maturity, the users are beginning to ask questions about service quality. The last sectoral agreement, signed in September 2011, includes a training requirement for all new workers in the sector.” Each firm must also organize a minimum of 11 hours of training per worker per year.

Turnover of service voucher workers

In 2011, a service voucher firm employed on average 63 workers over the course of the year, but employee turnover was quite high: 25.2% of the workers were new entrants to the scheme, and 18.2% exited from it, in comparison with 2010.²⁵

However, according to the employers’ federation Federgon, only 8% of the service voucher workers who leave the system subsequently find themselves unemployed. “The majority of workers who move out of this sector do so in order to go and work in the traditional private sector,” emphasizes Federgon’s public relations director Sébastien Delfosse. “It’s not a good thing for the cohesion of the sector, but it’s positive for employment in general.” There is also considerable movement of service voucher workers from one firm to another. As they have difficulty in recruiting new staff, some firms try to woo service voucher workers away from others by offering them some kind of fringe benefits (bonuses etc.).

²⁴ Idea Consult, *Evaluation du régime des titres-services pour les services et emplois de proximité 2010*, June 2011.

²⁵ Idea Consult, *Evaluation du régime des titres-services pour les services et emplois de proximité 2011*, July 2012.

Financing of the service voucher scheme

Thanks to Belgian government subsidies, service vouchers with a value of €21.72 (US\$27.81) per hour worked cost only €7.50 euros (US\$9.60) when bought by individual users (before tax deductions).

A study carried out for the Belgian government shows that, due to the success of the service voucher scheme, its gross cost to the public purse reached €1.65bn (US\$2.11bn) in 2011.²⁶ Most of this cost stems from the State's contribution to the payment of service vouchers (€1.4bn) and the losses from tax deductions (€220.9m).

However, the same report points out that, thanks to the direct and indirect effects of the scheme, the net cost of service vouchers to the public purse in 2011 was just €527.3m (US\$675.2m), i.e. €3,520 (US\$4,507) for each service voucher worker put to work.

The direct and indirect effects taken into account in the report are, in particular:

- the reduction in unemployment benefits paid to those who find a job via service vouchers
- the increased revenue from social insurance contributions
- the increased VAT revenue: people who find a job via service vouchers see their incomes rise and hence probably consume more
- the increased tax revenue from the users: thanks to service vouchers, some have gone back to work or work longer hours. In a study conducted in 2010, one user in 10 and 5% of their partners stated that the assistance provided by service vouchers enabled them to work on average 1.4 days more per week.²⁷

“There are also feedback effects that can't be immediately measured,” stresses Caroline Van Beveren at the Ministry of Employment's directorate for the integration of the unemployed. “For instance, there are older people who don't need to enter a rest home (which is costly for the State) because they can pay a home help to do the cleaning and cooking.”

If public investment in this scheme had to be reduced, the employers' federation Federgon would advocate either ending the tax deduction for service voucher purchases or slightly increasing the price per service voucher hour to the user (which went up from €7.50 to €8.50 on 1 January 2013). “We're convinced that there's room for a price increase to the user,” explains Federgon's public relations director Sébastien Delfosse. “When the scheme was initially being sketched out, the idea was to set a higher tariff for the user, but for electoral reasons, there has rarely been anyone who dared to raise it. €7.50 (US\$9.60) is a very cheap price to pay for the lawful services of somebody who is insured and has real social protection etc. The price goes down to €5.25 euros after tax deductions, but I don't think many users would do without their service voucher workers if this deductibility were abolished, because

²⁶ *Ibid.*

²⁷ Idea Consult, *Evaluation du régime des titres-services pour les services et emplois de proximité 2010*, June 2011.

the scheme has created a need in many families. We saw this during the economic and financial crisis of 2008: except for some people who lost their jobs, those who were in financial difficulties preferred to cut back on other spending rather than get by without their domestic worker.”

Social dialogue

The fact that service voucher workers are employed by firms (and not by isolated individuals) is an element that makes it easier to group them into trade unions and organize a social dialogue.

At the sectoral level

In Belgium, most private sector social concertation is within parity commissions. These are set up sector by sector and bring together delegates of the representative employer and worker organizations in a sector. The three main Belgian trade union federations are represented in them. Speaking for the employer side during negotiations is the Federgon federation, whose service voucher firms represent almost 40% of the service voucher market.

There is a dedicated parity commission for service vouchers (no. 322.01). “Thanks to the service voucher parity commission, we’ve been able to create a real employment status for workers in this sector,” explains Philippe Yerna, the General Secretary of the CSC food and service workers’ union. “In that way, we’ve been able to negotiate a year-end bonus, a union membership bonus, reimbursement of travel costs, a shop stewards’ committee, better wage conditions etc.” The social partners have also reached an agreement on improving the quality of employment contracts, and this has been built into the legislation. Furthermore, the sectoral agreements have made vocational training compulsory.

The majority of the workers employed under the service voucher scheme are covered by the parity commission for this sector, but this does not go for all of them. Some firms or associations that are mainly engaged in other activities (office cleaning, family help etc.) can also take on service voucher workers and assign them to the activities permitted under the scheme. These workers can then switch over to the parity commission for the main sector in which their firm is active. There, the unions have generally negotiated more favourable conditions than in the service voucher sector (as social dialogue has been going on for longer in these other sectors than in the service voucher one). Some of these enterprises set up separate firms in which they employ only service voucher workers, in order to keep them within the ambit of the service voucher parity commission.

At the enterprise level

Staff turnover in this sector is one of the brakes on its unionization. In 2011, 25.2% of the workers under the scheme were new entrants, and 18.2% exited from it in comparison to 2010.²⁸ Despite this, “the organizing rate for service voucher workers is about 60%,” Philippe Yerna says. “When there are workplace elections, we have difficulty finding candidates in the smallest enterprises in this sector. They’re put under pressure to withdraw their candidatures.

²⁸ Idea Consult, *Evaluation du régime des titres-services pour les services et emplois de proximité 2011*, July 2012.

There are still quite a lot of people around who thought they could make a fast buck by launching a service voucher firm, but many of them soon go bankrupt because they didn't have the managerial skills needed. It's impossible to have constructive social relations with these kinds of people. And even when we do have candidates, you have to take the time to advise them and train them up... Unions aren't yet a given in this sector."

Guarantees in case of employer absence

Many agreements signed between users and service voucher firms stipulate that a user who goes abroad does not have to pay for the worker's services during this period, as long as the user has given the firm 15 days' prior notice. The firm must then attempt to find a replacement user for the worker's services, or else fill in the forms entitling her to temporary lay-off benefits.

Many firms state in their agreements that users who give only last-minute warning of an absence will be required to pay the full cost of a service voucher, namely €1.72 (US\$27.81).

More regulation in the offing

Even though the legislation surrounding the service voucher scheme has developed considerably in recent years, it has still left a lot of leeway to the firms that are active in the sector.

This is now changing:

- Starting in August 2012, 60% of new service voucher jobs have to be assigned to those who are on full unemployment benefit or are drawing the integration income. If nobody on full unemployment benefit or integration income is available in their region, firms can ask to be exempted from implementing this measure.

- Since January, a bond of €25,000 (about US\$32,000) has to be put up when a service voucher enterprise is created. This should limit intrusion into the sector by opportunists who set up a service voucher firm in order to profit from a State-subsidized system, but who have no intention of managing their firm properly, looking after their workers etc.

In view of the 2,699 enterprises currently licensed, the trade unions feel that the sector needs a bigger shake-out. "The licensing policy for these firms is too open-ended," argues Jean-Francois Macours, legal adviser to the FGTB (General Labour Federation of Belgium). "For instance, cleaning a construction site is not permitted within the service voucher scheme. And yet, simply by indicating in its statutes that part of its activities relates to service vouchers, a construction firm can obtain a service voucher licence. Because there's no provision for the licensing commission to refuse approval on the basis of suspicions that the service vouchers will be used for forbidden activities."

Aims amply achieved but uncertainty about the future

All the aims that the Belgian government set itself when it launched the service voucher system have been amply achieved: tens of thousands of jobs have been created for the least qualified workers, a large proportion of the illegal work in the domestic sector has been regularized and the users are happy that they can spend more time on family life and their professional activities, thanks to the help of service voucher workers. The success of this scheme has been even greater than anyone hoped. Indeed, it has become a victim of that success by creating major calls on the public purse, which heavily subsidizes it.

All of the actors in this sector are now wondering what will become of this scheme in 2014, when responsibility for it will be devolved to the regions. So it will no longer be run by the Belgian federal government, but rather by the regional ones (the country is made up of three regions: Flanders, Wallonia and Brussels). So far, the firms and the unions have received no clear indication of the regions' intentions regarding the service voucher system, and this uncertainty is irritating the social partners.

4. Canton of Geneva: employment vouchers

Introduction

An employment voucher system has existed in the canton of Geneva since 2004. It is known as Chèque Service, and since 1 January 2008 the authorities have delegated its management to a private social enterprise, PRO. It enables an employer to pay social insurance charges for people providing proximity services within the employer's home (housekeeping, gardening, guarding etc.), even if these workers are in Switzerland illegally.

The system has four aims:

- Making things simpler for the employers by declaring, on their behalf, their domestic workers' wages to the compulsory social insurance schemes (the employers could complete these formalities themselves, but the complexity of the Swiss social security system makes it difficult to cope with)
- Advising individual private employers on employment relationships and social insurance for their domestic workers
- Promoting the social protection of domestic workers
- Promoting transparent employment relationships.

Employment voucher systems also exist in the other French-speaking Swiss cantons²⁹ and Ticino.

How it operates

To register with Chèque Service, a private individual employer must send the PRO company a membership form signed by the employer and the employee, together with a copy of employee's old age and invalidity insurance card or some form of ID for the employee (which may be an identity document issued by the country of origin if the employee is a foreigner). So Chèque service does not concern itself with putting employers in touch with potential workers for the employers' homes.

As soon as it has received the documents, Chèque service sends the employer the book of vouchers used to declare the wages and an invoice for a quarterly advance on the charges to be paid (based on the employer's and employee's estimate of the number of hours that will be worked).

Every month, the individual employer sends the company a wage declaration that shows the number of hours actually put in by the employee (in the case of a fixed monthly wage, the employer may also automatically declare it for the whole of the current year). This declaration

²⁹ See <http://www.cheques-emploi.ch/>

must be signed by the employer and the employee. Each keeps a receipt that shows the wages paid.

Chèque service then calculates the social insurance contributions, invoices them to the employer and transfers them to the social insurance funds concerned: old age and invalidity insurance, unemployment insurance, maternity insurance, family allowances, and occupational and non-occupational accident insurance. If the gross wages amount to at least 1,740 Swiss francs (US\$1,846) per month, Chèque service enrolls the employee in an occupational provident fund (second pillar). Once an employment rate of 50% with one employer is reached, Chèque service also proposes “insurance against loss of earnings due to sickness”. This covers 80% of the employee’s wages up to a maximum of 730 days (and after a waiting period of 30 days). If the employment rate is lower, the employer has to continue paying the wages to the employee over a set, limited period, which varies according to years of service (in line with the Swiss “Bern scale”), provided that the employee has been working for that employer for at least three months.

At the end of the year, the individual employer receives a final annual calculation and the employee’s wage certificate.

Wages

Chèque service requires employers registered with it to apply the standard employment contract in force for Geneva, and it monitors compliance with minimum wage rates. The minimum wage for Geneva, which is 18.60 Swiss francs (US\$19.76), is above the Swiss federal rate for non-qualified staff. The wage was set on the basis of customary rates, but after consulting the trade union organizations.

50% of the contracts correspond to an average wage of 24.40 Swiss francs (US\$25.88); 32% to an average wage of 20.70 Swiss francs (US\$21.96); 8% to an average wage of 18.30 Swiss francs (US\$19.41); 7% to an average wage of 29.50 Swiss francs (US\$31.30); and 3% to an average wage of 15 Swiss francs (US\$15.91) (in this last case, these are contracts for young au pairs or students).³⁰

The majority of the contracts (64%) are for up to 4 hours per week (but the worker may accumulate several such contracts with different employers); and 14% are for 4 to 8 hours, while just 5% are for work times of more than 22 hours a week.³¹

User numbers progressively rising

At 25 June 2012, Chèque service was managing 4,885 active contracts for 4,670 employers. For 96% of these contracts, the employee is a woman.³² Most of the contracts are for housework and child-minding. “This figure is still limited when compared with the total number of private individuals who employ somebody in their home,” notes Martine Bagnoud, Union Secretary at the SIT (Inter-Trade Union of Workers). “That total figure is put at around

³⁰ Source: <http://www.chequeservice.ch/cs/ch/fr-ch/index.cfm>

³¹ Source: <http://www.chequeservice.ch/cs/ch/fr-ch/index.cfm>

³² Source: <http://www.chequeservice.ch/cs/ch/fr-ch/index.cfm>

30,000. However, it's constantly changing, particularly since a law entered into force in 2008 that provides stiffer penalties for undocumented employment. From 1,273 in 2006, the number of contracts increased to 3,406 in 2008 and has risen progressively ever since."

Employment relationships

Under this Geneva system, the employer is and remains the private individual. The PRO company is merely a fiduciary.³³

Chèque service advises employers to draw up a written contract, even though this is not obligatory under Swiss law. "An oral contract would suffice," explains Anne Babel, head of Chèque service at PRO. "It would be legally valid, but we don't recommend it. That said, even in the case of an oral contract, we receive the membership form and the wage declarations, and these enable us to advise the employers and workers on any issue involving their rights and duties: trial periods, wage payments if the employer is absent (the employer has to pay them if the absence was not notified in advance) etc. In case of dispute, we send the parties to a legal advice service."

The system does not resolve all the problems often encountered in sectors of this kind (overnight dismissals, unpaid overtime for child-minding etc.), but it does provide the parties with somebody official to call upon. A trade union would be in a strong position vis-à-vis any employers who used the system without respecting the standard contract provisions, which the courts regard as binding. The SIT (Inter-Trade Union of Workers) regularly helps domestic workers to assert their rights in the labour courts, even when the workers are in an irregular situation in Switzerland. "A ruling by the federal tribunal, Switzerland's highest court, is very clear on this issue," says Christian Ducret, Director of the Solidarity and Employment Department at the Cantonal Employment Office. "Even if somebody is employing an undocumented worker, this in no way detracts from the employer's duty to respect the labour and social security laws."

Difficulties with leave

If there is no written contract governing the amount of annual leave, the provisions of the standard contract in force in Geneva apply (four or five weeks' paid leave per year). For employees paid by the hour, holiday pay may possibly take the form not of a transfer at the time when the leave is taken, but rather of a sum paid on top of the basic wage throughout the year. "This often poses a problem when the workers have several employers and just a few hours with each of them," emphasizes Martine Bagnoud, Union Secretary at the SIT (Inter-Trade Union of Workers). "Instead of the four weeks' leave provided for in the standard contract, the employers prefer to use the possibility of paying 8.33% on top of the wage to cover leave. In which case, the employee takes her leave not when she wants to but when the employers go on holiday, and that's a complicated business when there are several employers. In quite a lot of cases, the workers never get to take their leave."

³³ In Switzerland, a fiduciary is a go-between who receives a deposit from an instructing client and is empowered to place it on the client's behalf.

Meanwhile, Christian Ducret, Director of the Solidarity and Employment Department at the Cantonal Employment Office, notes that “during holiday periods, it sometimes happens that individuals ask their employee to continue to take care of the house, but entrust her with tasks that she does not always have time to perform during her usual working hours – some kind of in-depth cleaning, for instance. This happens mainly during the short holidays, in winter.”

Social security for foreign workers

When she leaves Switzerland, a worker can withdraw from the Cantonal Benefits Fund the amounts that she has paid into old age and invalidity insurance, provided she furnishes proof that she is taking up residence in another country. If a social security agreement has been signed between Switzerland and the country of destination, she will, upon reaching the statutory retirement age in her country of residence, be entitled to the benefits covered by the contributions paid, in which case she does not have the right to seek reimbursement of those contributions.

Authorities’ toleration of undocumented domestic workers

The cantonal inspection and employment relations authorities, who are aware of the labour shortages in this sector, do not carry out any spontaneous checks on employers. The Law on Undocumented Work does not require exchanges of information between the occupational insurance funds and the population registration authorities, except in cases where unauthorized residence is combined with a failure to register for social insurance. So an employer who respects the minimum wages and pays the social insurance is highly unlikely to face checks by the authorities, unless that individual commits some other offence that is rather more serious than employing an unauthorized resident.

PRO, the private firm that manages Chèque service, is under a duty of confidentiality concerning the data provided by its members. It simply transmits these data to the Cantonal Occupational Insurance Fund in order to ensure the registration and transfer of its clients’ social insurance contributions. It is not required to check if the employees’ presence in Switzerland is authorized and, even if it becomes aware of situations of clandestinity, it does not reveal them to the immigration authorities.

So people in irregular situations who are employed under the Chèque service scheme are not at risk of being denounced to the authorities, who could deport them. Just like other wage-earners, they benefit from the various types of insurance contracted via the scheme (child and maternity benefits, pensions etc.) – except for unemployment benefits, which are restricted to people who are legally employable in Switzerland. Unemployment insurance contributions are obligatory for all wage-earners, whether in a regular situation or not, but those who are in an irregular situation cannot benefit from this coverage if they lose their job.

Participation in Chèque service may help undocumented immigrants to obtain the papers they need in order to regularize their situation in Switzerland, but there is no guarantee of this. “You have to prove that you have been in Switzerland for at least eight years in order to obtain a permit on humanitarian grounds,” explains Martine Bagnoud, Union Secretary at the SIT (Inter-Trade Union of Workers). “One way of proving that is to have had an old age and invalidity insurance card during that period. If a person is intercepted on the street, during an

ID check for instance, we apply for a humanitarian permit. Being able to show that the person has been self-sufficient and has been registered with the social insurance for years can be a help there. That said, as there are no objective criteria for these permits, they're issued somewhat at random."

There are no official statistics on the number of people in irregular situations who are employed under the Chèque service scheme. The Geneva Solidarity and Employment Department was quoted in the newspaper *Le Temps*³⁴ as stating that 40% of these employees are from outside Europe and, of that 40%, "it may be imagined that two-thirds are clandestine".

It should be noted that this toleration of workers in irregular situations is a policy of the canton of Geneva, which faces a labour shortage in this sector. The position is not the same in most of the other cantons of the Swiss confederation.

A gain for the social insurance funds

As no tax deductions are available to the users and the authorities do not provide any subsidies, this employment voucher scheme does not cost the Geneva cantonal authorities anything. On the other hand, the social insurance payments from the employers and employees are a plus for the social insurance funds. "These funds didn't receive anything from these worker and employer categories until the scheme was established in 2004," points out Christian Ducret, Director of the Solidarity and Employment Department at the Cantonal Employment Office. "Currently, we have 35 million Swiss francs' worth (US\$37.1m) of accumulated gross payroll declared to these social insurance funds, a figure that is showing a linear progression from year to year."

³⁴ Le Temps, *Genève ferme les yeux sur les femmes de ménage sans-papiers*, by Sandrine Hochstrasser, 17 August 2012

5. Conclusions

The three systems examined in this report have a number of advantages in common, both for domestic workers and for their employers:

- The domestic workers have access to social security benefits (pensions, health insurance, accident cover etc.).
- These schemes are easy to join and use, both for the worker and for the employer.
- Administrative formalities are simplified for the employer.
- The worker is guaranteed at least the legal minimum wage.
- The employee is certain of being properly declared, as the risk of administrative errors due to the inexperience of an individual private employer is eliminated.
- In the case of a problem with the employment relationship or questions about the legislation, both the employee and the employer have somebody from whom they can seek advice.
- The schemes enable mainly low-qualified people to find legal employment.

The three systems are also in line with Convention n° 189 and Recommendation n° 201 on decent work for domestic workers. The application of several aspects of these standards is particularly facilitated by schemes of this kind:

- Article 11 on the minimum wage: “Each Member shall take measures to ensure that domestic workers enjoy minimum wage coverage, where such coverage exists, and that remuneration is established without discrimination based on sex.”
- Article 13 on safety and health: “Every domestic worker has the right to a safe and healthy working environment. Each Member shall take, in accordance with national laws, regulations and practice, effective measures, with due regard for the specific characteristics of domestic work, to ensure the occupational safety and health of domestic workers.”
- Article 14 on social security: “Each Member shall take appropriate measures, in accordance with national laws and regulations and with due regard for the specific characteristics of domestic work, to ensure that domestic workers enjoy conditions that are not less favourable than those applicable to workers generally in respect of social security protection, including with respect to maternity.”

Several articles in the Convention provide for consultation with the trade unions. The formalization of domestic work through schemes such as those described in this report helps to put these consultations in place. Raising the visibility of domestic workers and getting them out of undocumented employment facilitates their recruitment into unions, which can then negotiate or be consulted on their behalf.

Many governments would be capable of developing systems of this kind in other countries and adapting them to their national contexts. The existence of a partner on the employer side is vital to the development of social dialogue, although the Geneva example does show that it is possible, at least initially, to develop a service voucher system without the employers' being represented by an association.

The examples from France and Geneva show that these schemes can be developed while, in the longer run, generating income for the public purse and/or the social insurance funds. This is not yet the case in Belgium, where the public finances put into the system still outweigh the estimated financial returns, but the Belgian government, which created the scheme in 2003, has amply achieved the objectives that it set itself – creating jobs and combating undocumented work.