

Servants for the Knowledge-Based Economy? The Political Economy of Domestic Services in Europe

Nathalie Morel*

Over the past two decades, many countries across Europe have set up schemes to subsidize the demand for domestic services. This article suggests that these policy developments reflect a new economic strategy linked to the development of the service-based economy in coordinated market economies, as well as a new ideological orientation regarding the public sector and the role of the State in providing welfare. Specifically, the article aims to contribute to the analysis of the transformations of the role of the State, of its modes and aims of intervention, and of the social consequences of these transformations in two fields: on labor markets on the one hand, and on welfare policy on the other. In doing so, this article highlights the ways in which state policies, rather than simple market forces, are structuring new inequalities and new dualisms, and addresses the issue of the fate of the low skilled in today's knowledge-based economy.

Introduction

While domestic work as a form of employment had progressively disappeared in most European countries during the course of the twentieth century, it has been on the increase everywhere in Europe over the past decade or so. This development of domestic employment has been highlighted in a number of sociological works, which usually emphasize the role of global socio-economic transformations to explain the expansion in both the demand and supply of domestic work. On the supply side, the rise in inequalities, the growth in unemployment, the development of a reserve of unskilled labor, transnational economic inequalities, and migrations, especially the strong rise in female immigration, have been underlined ([Anderson 2000](#); [Hochschild 2001](#); [Lutz 2008](#); [Widding Isaksen 2010](#); [Williams 2011](#); [Williams and Gavanas 2008](#)). On the demand side, the most salient factors put forward have to do with the sharp increase in female labor force participation, the transformations

Sciences Po, Centre d'études Européennes & LIEPP, 75337 Paris Cedex 07, France
*nathalie.morel@sciencespo.fr

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in family structures, the rise of new social needs linked to population aging, the absence or insufficient provision of child- and eldercare services, changing attitudes toward the domestic division of labor and the wish for more free time for leisure and family (Cancedda 2001).

There is thus now a wealth of literature dealing with domestic work, especially that which is performed—legally or not—by migrant workers, but one aspect that has not yet received much attention is the fact that many European countries have, over the past decade or so, developed specific policies to actively *promote* the development of domestic services, leading to an important growth in domestic employment, with formal employment figures in the personal and household services (PHS) currently estimated at around 7.5 million in the European Union (EU).¹

Indeed, many European countries have set up schemes to subsidize the demand for domestic services, especially for childcare and eldercare, through the introduction of cash-for-care schemes, vouchers or different socio-fiscal measures such as social contribution exemptions and/or tax rebates, but some countries have gone further in that they also subsidize other domestic services such as cleaning, ironing, and gardening for all households, independently of care needs. The development of domestic employment is thus not only driven by a natural growth in supply and demand, there are in fact *policies* that structure this supply and/or demand. As such, it seems warranted to speak of a political economy of domestic services, the delegation of domestic work and the development of domestic services being encouraged and structured through specific political and economic strategies, which have been actively promoted by national governments and national lobby groups, but also by the European Commission since the 1990s.

The aim of this article is thus to analyze how the development of policies to promote domestic services all across Europe is part of a new political economy of the welfare state. This implies identifying and analyzing the broad political and economic strategy and policy rationale that underpin these developments at the European level, and their consequences.

More specifically, this article aims to contribute to the analysis of the transformations of the role of the State, of its modes and aims of intervention, and of the social consequences of these transformations in two fields: on labor markets on the one hand, and on welfare policy on the other. In doing so, this article highlights the ways in which state policies, rather than simple market forces, are structuring new welfare inequalities and new labor market dualisms, and addresses the issue of the fate of the low skilled in today's knowledge-based economy.

The article starts with an analysis of the EU discourse regarding the promotion of the domestic services sector. European Commission documents are used both because the European Commission has been encouraging member states to set up measures to develop this sector since as early as the early 1990s, but also because the European Commission discourse reflects and brings together the different arguments that have been developed in the various

member states, thus acting as an echo chamber for the different national discourses. Looking at the European Commission documents thus helps to identify the overall policy logic that has underpinned the promotion of the domestic services sector across Europe, and to pinpoint some of the tensions and contradictions that this policy orientation raises at a broader level.

In particular, the EU discourse is useful for highlighting the ways in which the promotion of the domestic services sector dovetails both social and labor market concerns and illustrates what can be observed in a number of countries too, namely the way in which domestic services responding to social care needs (childcare, eldercare, care for the disabled) and domestic services geared toward households with no necessary care needs (consumer services) have been conceptualized or redefined as services responding to a similar logic, and which can therefore be similarly supported and structured through public policies.

Here it should be noted that the focus in this article is on domestic services provided by for profit or non-profit companies, as well as through direct employment between a householder and a person working in their house, but not on services provided by public social care services in the home of the recipient (for older or disabled people) as the latter follow a different logic, are differently financed (through direct budget spending) and working conditions for the employees tend to be substantially different.

The second part of the article provides an overview of the policies that have been set up across European member states, drawing out the aims that have been pursued, the services covered and the groups that have been targeted for filling these jobs, as well as the profile of the workforce and of the service users.

The third part provides a discussion of the elements of cross-country divergence and convergence in the policies implemented and in their outcomes, highlighting how these state-driven forms of domestic outsourcing are shaping new labor market and welfare inequalities in the coordinated market economies (CMEs) of Europe.

The Promotion of Domestic Services as a Strategic Economic Sector by the EU

The domestic services sector has increasingly been promoted in Europe over the past fifteen years or so by various national and supranational actors such as the European Commission, national governments, and national lobby groups of domestic services providers, which have increasingly organized themselves in European networks also (such as EFSI, the European Federation for Services to Individuals, for instance).

While national political actors and lobby groups probably remain the most important actors behind the promotion of the domestic services sector in each country, the European Commission has nonetheless, already since the early 1990s, been quite instrumental in promoting the development of this sector

across Member states, reflecting its own agenda with respect to the promotion of employment growth through the development of low-end service sector jobs as well as with respect to the transformation of the public sector, but also echoing the policy discourse of various member states. An analysis of the European Commission's discourse and recommendations can thus shed light on the rationale behind the policies that are being promoted across a number of European countries and also highlight the possible tensions and contradictions involved in this policy logic.

Promoting Low-Skilled Jobs Through Labor Cost Reductions

This interest in the development of domestic services on the part of the European Commission can first be traced back to the 1993 White paper "Growth, competitiveness, employment" (COM 93(700)). The central concern addressed in this White Paper is the issue of unemployment, (already) then at a very high level in Europe, especially amongst the low skilled. To remedy this situation, specific actions are recommended, the most important of which having to do with flexibilizing the labor market and addressing the disincentives to employing low-skilled workers by reducing the costs for employers. The high level of statutory charges on labor in Europe compared with the United States or Japan is analyzed as an important factor in the slowdown in economic growth and especially in the inability to create employment, not least in the labor-intensive low-end service sector. The high cost of labor is also viewed as promoting a parallel economy. This White Paper thus recommends that member states seek to reduce the statutory charges (taxes and social contributions) imposed on labor, these recommendations being especially directed toward Denmark, the Netherlands, Belgium, France, and Germany, while the level of statutory charges in the United Kingdom is considered satisfactory, being well below the EU average.

Responding to Social Needs in a More Cost Effective Way

At the same time, certain areas are identified as sources of new jobs. Here, "local services", comprising care for children, older people and disabled people, domiciliary health care, and various household services (e.g., meal preparations and housework), are highlighted as an important source of job creation. The White Paper notes that they are new social needs that need to be satisfied which are due to changes in lifestyles, the transformation of family structures, the increase in the number of working women, and the new aspirations of older people. It is argued that the market cannot properly respond to these needs as the development of both supply and demand for these services comes up against barriers which, on the demand side, relate to the high cost of labor and on the supply side to the reticence to take up jobs which are perceived as degrading and low-skilled. As a result, the White Paper concludes, *"the development of the services in question is either left to the undeclared employment market, or is publicly funded, which is expensive"* (19, my emphasis).

Calls are therefore made to develop new initiatives to stimulate both demand and supply, which could be based, on the demand side, on “*incentives such as income tax deductibility, or the local issuing of “vouchers” along the lines of lunch-eon vouchers, issued **instead of providing the social services normally provided by employers and local authorities***” (19, my emphasis). Thus, while new social needs are identified, they are mainly addressed as a source of employment growth rather than as a social concern.

What is interesting to note here too is that while the main concern of this White Paper is with fostering employment—and the promotion of local services appears as a way of neatly tying in employment objectives with social concerns—the arguments put forward go somewhat beyond the simple development of a new sector. Also outlined here is the idea that these services should come to replace the expensive, already existing, publicly funded social services, with no explanation as to how that would foster employment.

In the 1994 White Paper “European social policy—A way forward for the Union” (COM 94(333)), “local services” are only mentioned in passing as a necessary support to women’s employment and as part of a broad employment strategy to provide work for the low-skilled: “*It is important to ensure that, as well as supporting high productivity jobs, the Union maximises its ability to generate and sustain jobs at other levels, particularly in the unskilled, semi-skilled and personal and local services fields*” (p. 12).

In its Communication on “The European Employment Strategy: recent progress and prospects for the future” (COM 95(465)), the Commission once again highlights the employment potential of local services, which lend themselves to “*activities for reintegrating the long-term unemployed, young people with problems and unemployed women*” and “*are geared towards providing the best means of meeting the new needs of society through new occupations*”. The schemes that have been set up in a number of countries are highlighted and their development encouraged. These schemes include the development of service vouchers and “*the adjustment of legal, financial or fiscal provisions to enable households to become employers or consumers of domestic services*” (p. 30). Reducing indirect labor costs, especially for the low skilled, is also very high on the agenda in this document. The same arguments are re-iterated in the Commission draft for the 1997 Joint Employment Report, which emphasizes that household-related services need to be exploited much more decisively, following the example of France and Belgium.

Promoting Female Employment

The 1997 European Employment Strategy and the 2000 Lisbon Agenda mark the beginning of a strong activation turn, with a clear focus on the re-commodification of all groups of society, and especially on promoting women’s employment. This activation turn also marks a shift in the EU’s gender-mainstreaming approach. Indeed, while until the 1990s Commission documents showed a concern with promoting gender equality through

measures that aimed at enabling women to work but also at redistributing paid and unpaid work more equally between men and women, the “feminist” potential of EU discourse and policies start to give way to economic concerns. This translates into policies that make women’s labor force participation a necessity rather than an opportunity and which focus on supporting women’s caring responsibilities rather than on redistributing them between women and men, as well as on encouraging flexible forms of employment (Lewis 2006; Stratigaki 2004).

In this context, and even more so starting with the Lisbon strategy in 2000, and reinforced with the Barcelona summit of 2002, what are now termed alternatively “domestic services” or “personal services”, and eventually “personal and household services” or “household and social services”, really come into focus, with a new rationale being put forward linked to the growing focus that is placed on promoting female labor force participation (with a Lisbon target of a 60% female employment rate within a 10-year horizon). The issue becomes both one of providing women with the necessary services to support their gainful employment, and of creating new sources of jobs for women.

The need to develop childcare services to meet the Barcelona targets (a childcare coverage of 33% for children under three, and of 90% for the three to school age children) has provided important impetus for the development of different forms of childcare. The Barcelona targets only dealt with the quantitative aspects of childcare provision, however, and as different observers have highlighted, the question of the quality of the care provided has not really been addressed. As a result, cheaper, private forms of care have been promoted across most countries, notably through fiscal measures such as tax deductions and/or credits, thus leading to a rapid growth in the use of private child-minders rather than to the development of public childcare services (Morel 2007). The level of education and qualification of these private child-minders varies between countries, ranging from no vocational training at all to limited vocational training, but education levels and vocational training remain in all cases much lower than in the public childcare services (Plantenga and Remery 2009). Promoting domestic forms of childcare has thus proven to be an important source of job creation for the low skilled, as well as for older women entering or re-entering the labor market after a long break.

Supporting the Productive Potential of the High-Skilled

The Lisbon strategy’s aim to turn Europe into “the most dynamic and competitive knowledge-based economy in the world” has also led to a focus on the more highly skilled and productive workforce. In this respect, enabling the more highly skilled to invest more time into paid work has been a recurring theme, not least in discourses related to the reconciliation of work and family life where the fear is expressed that the human capital of high-skilled women might be wasted or under-used if they cannot free themselves enough from caring and household tasks. In this context, the promotion of PHS becomes

increasingly presented as a gender-equality measure that will relieve women from domestic tasks and enable them to invest more time into paid work, thus giving them the same opportunities as men on the labor market.

Responding to Unmet Social Needs

Finally, in the past decade, while fostering the development of domestic services has continued to be considered as an important strategy for creating jobs, especially for the low-skilled and the long-term unemployed, at the discursive level such services have increasingly been presented as a means to respond to unmet social needs, especially with respect to childcare and eldercare, but also with respect to the needs of increasingly time-pressed dual-earner families or single parents who struggle to combine paid work with family life and household tasks such as cleaning and cooking. Promoting greater freedom of choice in terms of the services available to individuals, not least for the elderly, has also been highlighted as a reason for encouraging the development of domestic services. Last but not least, the development of PHS has been put forward as a desirable solution to meet the increasing demand for long-term care under increased budget constraints.

This keen interest in promoting PHS is re-affirmed in the Europe 2020 strategy which was defined in 2010, and its clearest expression can be found in the 2012 “Commission staff working document on exploiting the employment potential of the personal and household services” (SWD (2012) 95 final). In a time of high unemployment across Europe, the focus is once again on the employment potential of domestic services (the term “domestic services” is used interchangeably with that of “personal and household services” in this document). After defining PHS as “a broad range of activities that contribute to the well-being at home of families and individuals”, including “child care, long-term care for the elderly and for persons with disabilities, cleaning, remedial classes, home repairs, gardening, ICT support, etc.”, the document highlights the key characteristics of PHS that make them interesting from the point of view of employment policies: their low import and high employment content, the low productivity in some of the tasks involved, but a **“potential for indirect productivity increases if clients of PHS are able to focus more on their own, higher-productivity work”** (my emphasis), the growing need for these services due to population aging and to the need to increase female participation in the labor market, as well as their potential in helping to improve work–life balance as well as earn back effects via an increase of working hours or a return on the job market.

This document also takes up the issue of the high prevalence of undeclared work in domestic services, and thus the necessity to develop public policies to support the PHS sector in order to fight this. Policies implemented in France and Germany are then used as examples, with France in particular being used as a success story having supposedly created, between 2005 and 2009, “500,000 new jobs subject to social contributions in private households, mainly for

groups on the fringes of the labor market". What is interesting to note is that while this figure corresponds to what the French government had been hoping to achieve, real job creation over that period was in fact well below this figure, with only 390,000 jobs having been created since 2005 (Agence Nationale des Services à la Personne²). Furthermore, this figure drops drastically to only 102,000 when recalculated in full time equivalent.³ While the "true" figure is readily available in government documentation, it is the "wishful" figure that is used in this Commission document.

In the German example, it is the creation of "minijobs" and the reduction in employers' social contribution rates for the employment of domestic workers that are cited as examples of good practice. All in all, as in previous documents, the policy measures put forward include simplified procedures for hiring household workers, subsidized vouchers, social contribution exemptions to lower the cost of labor, and tax reductions, all of which are expected to foster the creation of new jobs in the form of self-employment or through the development of small and medium-sized enterprises (SMEs).

In many ways, this document neatly sums up all the underlying arguments that have developed over time at EU level for justifying the promotion of domestic services: the job creation potential for the low-skilled of these local services which cannot be displaced abroad; the fact that these jobs hold a promise of social inclusion for "groups on the fringes of the labor market"; their contribution to supporting female employment by facilitating the work-life balance and by creating employment for women; the "productivity boost" argument that holds that the high-skilled can devote more time to productive tasks if they can delegate their unproductive household tasks; and the cost-effectiveness argument for responding to new social needs, and in particular to child- and eldercare needs.

All in all, the development of domestic services is presented as some kind of panacea that responds to both employment and social concerns. In all these documents, only two elements are mentioned as deserving special attention. One has to do with the need to give due attention to the working conditions of household workers in terms of their access to social protection rights, and the other is a concern with the quality of care, especially with respect to childcare, with the need to improve vocational skills in this field mentioned in a few documents. Here as in other respects, some of the tensions and contradictions that this policy orientation raises come out clearly.

Indeed, there appears to be an important contradiction in policy aims when one considers the fact that these services are intended to fulfill care needs and are thus directed toward vulnerable groups (children, older, and disabled people). As such the issue of the quality of the services provided and the need for specific skills is raised. Yet these services are expected to create jobs for the "low-skilled", the "long-term unemployed", "marginalized individuals" and "groups on the fringes". How the quality of care can be reconciled with this lack of skill is not addressed, other than to say that attention should

be paid to improving vocational training, especially for childcare. But again, a contradiction arises between the emphasis that is placed on reducing labor costs and improving skills.

Another contradiction has to do with the Commission's stated aim to improve gender equality. Indeed, desegregation of the labor market has been a major stated objective of European employment policies (cf. [European Commission 1997](#)), yet women represent the overwhelming majority of domestic services workers, and in fact women outside the labor market were particularly targeted as a group that could fill these new jobs. This gender segregation of the labor market affects gender equality in other ways too. Indeed, while the policy discourse is that these services help families, but especially women, to better reconcile work and family life, and foster gender equality by allowing women to devote more time to paid employment thus allowing them to invest in their professional life on a par with men, it is clear that these schemes are likely to affect women very differently depending on their socio-economic status. A clear division is likely to appear between the wealthier households/women who can avail themselves of these services, and those who cannot and/or provide these services. In many ways, one could argue that far from fostering greater gender equality, these policies in fact contribute to accentuating gender inequalities in that they allow wealthier households to sidestep the issue by delegating their domestic tasks to others, while the fundamental issue of the unequal division of household tasks between men and women at a societal level remains untouched. In fact, the development of this sector is likely to reinforce gender stereotyping surrounding domestic work.

Finally, although the issue of working conditions is sometimes mentioned, especially with regard to access to social protection rights, there is no or little reflection on the very nature of the work that is promoted and its consequences. One defining characteristic of domestic services is of course that they take place in a domestic sphere, which constitutes a very specific workplace. First of all, monitoring working conditions tends to be very difficult, as labor inspection is not allowed in private homes due to privacy laws. Workers are thus likely to be more subject to the arbitrariness of the employer. Second, workers are often on their own which makes it difficult to share experiences, or to come into contact with trade union representatives. This is likely to be particularly the case when domestic workers are directly employed by a household rather than through a firm. Yet as the 2012 Commission document on "exploiting the potential of the personal and household services" indicates, it is precisely in the form of self-employment or through the development of SMEs that the policies promoted are expected to create new jobs.

Furthermore, the fact that these jobs are very often part-time jobs (because of the very nature of the work which requires working for different employers and thus involves much time spent in transport which is often not paid) is not addressed. Depending on the country's social legislation, part-time work can entail limited access to social coverage (limited or no access to sickness or work

accident benefits for instance if workers have not cumulated enough hours of work over a given period).

These issues warrant closer analysis as many countries in Europe have now implemented some kind of scheme to promote the demand for domestic services, in the form of subsidized vouchers, social contribution exemptions for employers and/or tax reductions, for services responding to care needs but also for domestic services for consumers with no necessary care needs.

State-Driven Policies of Domestic Outsourcing in Europe

As we have seen, France has been a pioneer in this field, followed by Belgium, but many other countries have since followed suit, in an attempt to reduce the cost of labor and thus foster employment in the low-end service sector. Thus, besides France and Belgium, Germany, Denmark, Finland, the Netherlands, and Sweden have all introduced specific schemes to promote the demand for a variety of domestic services ([Carbonnier and Morel 2015](#)). This distinguishes these countries from other countries, such as the United Kingdom, where the demand for services in the home has also been subsidized, but only for care services—typically through cash-for-care schemes.

While the labor market outcomes of the marketization of care that these cash-for-care schemes have entailed for care workers may in many ways be very similar to those of domestic services workers in our Continental and Nordic countries, the policy logic nonetheless differs to the extent that (1) the criteria defining the conditions of access to these services differ (cash-for-care benefits are based on an assessment of care needs—i.e. they respond to a social citizenship-based logic, whereas tax rebates and employer social contribution exemptions are granted to households that choose to purchase different types of domestic services, irrespective of needs—a consumer-based logic); (2) job creation is not the main driver behind the introduction of cash-for-care schemes (in fact the cash benefit can often be used to remunerate an informal family carer), whereas the socio-fiscal schemes implemented in our Continental and Nordic countries explicitly aim at fostering low end service sector jobs by reducing the cost of low-skilled labor and subsidizing the demand for such services.

These differences in policy rationale justify the focus of this article on the Continental and Nordic countries, which interestingly are also all CMEs, characterized among other things by the important role of the social partners—mainly from the manufacturing industry as well as public sector unions—in defining labor contracts, social protection rights, wages and working conditions, that have traditionally been generalized to the other economic sectors ([Hall and Soskice 2001](#); [Palier and Thelen 2010](#)). Trade union policies in these countries have led to a compression of the wage structure with relatively high wages also for the low-skilled, which, coupled to the redistribution effected by these welfare states have led to a relatively low-wage spread. Since the 1990s,

these characteristics have been understood as hampering employment growth. Indeed, with the shift toward a service economy, employment growth is expected to come mainly from the low-end service sector, where, it has been argued, employment growth can only be achieved through more labor market flexibility and increased income inequality because of the high price elasticity of the services provided and the limited productivity gains in the service sector. Alternatively, employment growth in the service sector can be fostered through public employment but budgetary constraints clearly restrain this possibility (Esping-Andersen 1999; Iversen and Wren 1998; Scharpf and Schmidt 2000). Iversen and Wren have called this the “trilemma of the service economy”.

In light of this, the policies that have been set up in the CMEs of Continental and Northern Europe may be understood as providing a way out of this “trilemma of the service economy”, a solution that is based not on the development of public employment but rather on labor market deregulation and on using public policies to increase income inequalities (by subsidizing certain households on the one hand, and by lowering wages for the low-skilled on the other). The promotion of the domestic services sector through specific policies can thus be interpreted as contributing to the reframing of the political economy of these countries. The question then is to what extent and in which ways have the labor market and welfare institutions of these countries been modified through these state-led policies of domestic outsourcing?

In what follows I briefly present the policies that have been set up across these different countries, discussing the policy rationale behind the introduction of these schemes, and the most salient features of these schemes, including in terms of their labor market outcomes and user profile, to the extent that data are available. It should be noted that research on these different schemes, and their evaluation, remain to this day quite scarce. It is in fact an interesting observation in itself that so few policy evaluations of these schemes have been carried out so far (Morel and Carbonnier 2015).

France started, already in 1987, to subsidize the direct employment of home-help workers for older and disabled people and for childcare through employer social contribution exemptions, with an additional tax reduction when hiring a nanny. By 1991, a 50% tax reduction was made available to all households who purchased domestic services, either through direct employment or through the intermediary of an organization or enterprise, independently of whether the services are care related or not. The ceiling on this tax reduction is €12,000 per year and per household, to which can be added an extra €1,500 per dependent child or adult in the household. Additionally, a reduced value-added tax (VAT) (7% instead of 19.6%) is applied on the services provided through either non-profit organizations or commercial enterprises. In 2005, the government launched a comprehensive plan (the “Borloo Plan”) to further develop the domestic services sector with the aim to create 500,000 new jobs over a three-year period. Not only was the promotion of this sector expected to create many new jobs, especially for women, it was also argued that these services

would help families to better reconcile work and family life and promote greater gender equality (Devetter and Jany-Catrice 2010). Since 2002, the dependent elderly also receive a cash benefit that enables them to purchase care services on the market. Thus, in France, the promotion of the domestic services sector has followed the dual aims of responding to social care needs and of creating low-skilled employment, with the result that the social care sector has become absorbed in a wider strategy to promote a new domestic services sector, which has also led to displacement effects with unskilled workers now performing care tasks which were traditionally performed by somewhat more qualified care workers (Devetter and Jany-Catrice 2010). Low-skilled and older women outside the labor force have been particularly targeted for these jobs, as well as immigrants. In fact, an agreement was signed in 2008 between the Ministry of Immigration and the Ministry of the Economy, which stated that newly arrived immigrants should be directed toward the National Agency for Household Services (ANSP) in order to be trained as household workers. This agreement was to concern 10,000 immigrants per year (Devetter et al. 2009). According to official figures, two million people work in the domestic services sector: 91% of workers are women, only 30% of workers hold any kind of qualification (BIPE 2012), and while it is difficult to get reliable data on ethnicity, different studies have shown that workers of immigrant origin are over-represented in this sector (Scrinzi 2009). Eurostat data indicate that 21.1% of foreign women work in domestic services in France, against only 3.8% of French women. Around 70% of the workforce works on a part-time basis only, most often very short part-time (12 h a week on average—excluding registered child-minders). Wages are consequently low, at around €666 per month on average (INSEE enquête emploi 2011). In the French social protection system, short part-time work is also associated to limited social protection rights, not least in case of accident or sickness insurance, for which a minimum of 200 h of work a month are necessary to be covered. Finally, despite the Borloo plan that aimed at better structuring the market for these services, 85% of work contracts in this sector are through direct employment by households (Jany-Catrice 2009). Today, four million—or 17%—of households use these services (BIPE 2012). In 2005, 32% of households who declared a household worker belonged to the wealthiest 10% of households, whereas only 3.5% belonged to the poorest 10%. Furthermore, the wealthiest 10% stood for 53.6% of total expenditure. If one adds to that that only those who pay a positive amount in income tax qualify for the tax deduction, the distributional impact of the tax cut is strongly in favor of more affluent: 73.1% of the tax reduction went to the wealthiest 10% (Marbot 2011). Furthermore, inequalities have been increasing since 2001 both with respect to those having recourse to household services and in terms of those benefiting from tax advantages (Carbonnier 2009). The age profile of users is also worth noting: 54% of users are over seventy, and 40% of the population over eighty purchase domestic services. Altogether, half of the 6.6 billion euros (of which 2.16 billion was in social contribution exemptions and 4.44 billion in tax

reductions) devoted to subsidizing the domestic services sector is related to services for older people.

Belgium introduced a voucher system in 1994 which functions as a wage subsidy and which aimed at creating employment for long-term unemployed persons who carried out domestic services, including care activities, as well as at curbing informal work.⁴ The scheme was expanded in 2004 to include not just the long-term unemployed, although 60% of new recruits of service voucher companies should be full-time unemployed who receive unemployment benefits or an “integration income”. The ambition was to create 25,000 jobs between 2004 and 2007 for low-skilled workers. Today individuals can purchase up to 500 vouchers (corresponding to 500 h of work) per year (1,000 for households), each voucher costing the user €8.50, of which 30% is tax-deductible so that one hour of domestic service only costs €5.95 in the end.⁵ Care services have been excluded from the scheme, although there is evidence that domestic employees are often asked to carry out care tasks nonetheless (IDEA 2012). A total of 149,827 people worked in this sector over 2011. One can observe that 97% of workers in this sector are women, 56% have a low education level, and 26.6% of the labor force is of foreign nationality. Only 12% of workers worked full-time, 64% worked half-time, and 24% worked short part-time. Nearly 835,000 people used service vouchers in 2011 (about 17% of households), compared with less than 99,000 users in 2004. Working age persons are more represented among users than in France, but people above sixty-five nonetheless account for 25% of users. 76.8% of users are highly educated. Furthermore, there are strong regional differences in the use of these services, with 60% of users in the Flanders region, and only 10% in the Brussels area (IDEA 2012).

Denmark introduced a Home service scheme in 1994 with the aim of curbing informal work, creating new jobs—not least for immigrants and low-skilled people—and to improve the welfare of families with children and of elderly people. The scope of the scheme was progressively curtailed starting in 2001 and was canceled in 2004 as structural unemployment had decreased from the high levels prevalent in the 1990s, but also because the scheme had not given clear results in the form of more employment for immigrants, which originally was one of the goals, and decline in informal work was very limited. Also, it was shown that the scheme essentially benefited wealthier households (SOU 2008, 57). Retired citizens nonetheless retained their right to a 40% tax rebate on domestic services. A new scheme was introduced on a trial basis between 2011 and 2014 (with a brief interruption in 2013), which enables all individuals to deduct a third of the labor costs on domestic and renovation services, up to a ceiling of DKK 15,000/year (around €2000) (Bertelsen and Rostgaard 2013).

Germany offered, until 1997, a tax reduction for families with at least two children below the age of 10 on the wage cost of a full-time, regularly employed household worker. In 1997 the children requirement was lifted, as well as, from 2001, the requirement that the household worker be employed on a full-

time basis. Following the so-called Hartz reforms, new rules on marginal part-time employment were introduced in Germany in 2002 in order to create additional employment in the low-wage sector and to tackle undeclared work.⁶ These “minijobs” allow workers to earn up to €450 a month, and workers are exempt from paying social contributions and taxes. Special regulations were introduced to give preferential treatment to work carried out in private households. Thus, in 2003, the working hour limit for “minijob” domestic services workers was removed and their earnings limit raised, while employers’ social contributions were reduced by half. In 2008, the ceiling on the tax reduction for household services was raised and an extra tax reduction on childcare of €4000 per year and per household was introduced. Besides creating jobs in the low-wage sector and tackling undeclared work, the underlying policy rationale was also to facilitate work–life balance, as well as to support women’s employment by facilitating care arrangements at a low cost (Shire 2015). Today, 92% of minijob workers in the domestic services sector are women (*idem*).

Finland introduced a tax reduction for domestic services first on a regional basis in 1997 and then nation-wide in 2001, whereby individuals can claim 45% of the cost of the service if it is provided through a company, and 15% of the cost in the case of direct employment. The initial ceiling was set at €900 per year and per person but is now up to €2000 (after having peaked at €3000 between 2009 and 2011, and a 60% tax rebate). Individuals can also benefit from the tax credit scheme when buying services for one’s parents or grandparents. Besides care and cleaning services, home repairs and renovation are also included in the scheme.⁷ The key aims behind this scheme were to create new jobs, to curb informal employment, to help the elderly to get low-priced home help, to support households in finding individual solutions to their care needs, and to promote work–life balance in families (Hiilamo 2015). In 2011, over 400,000 people, or 14% of households, used the tax rebate. This tax scheme is particularly popular with individuals over seventy-five, homeowners, entrepreneurs, two-parent households and people with postgraduate education. About 48% of beneficiaries are in the top two wealthiest income deciles and received 56% of the total tax credits (Aalto 2015).

The Netherlands introduced a new regulation on domestic work in 2007 by which a private person who hires another private individual is not obliged to pay tax or social security premiums in relation to this work, or to register the worker at the tax and social security offices as long as the hired person does not work more than three days a week. The fact that no social contributions are paid means that the hired person has no right to receive social security benefits in case of loss of work, sickness, or disability and that no retirement pension capital accrues. There is also no dismissal protection. The work is also exempted from VAT. When a person is hired by means of a personal care budget for disability reasons, the private domestic worker can be paid from this budget.⁸ These workers are referred to as Alpha-helpers. Also in the field of childcare, this policy has enabled the development of “host parents” who are also excluded from labor

protection and social benefits (van Walsum 2011). The aim of the scheme is to formalize undeclared work, to enable more low-skilled people to participate in the labor market and to encourage a higher labor force participation of those—more highly skilled women—who hire private domestic workers, and to create cheap services (Van Hooren 2011; van Walsum 2011).

Finally, Sweden introduced a 50% tax reduction (RUT) on domestic services in 2007, up to a ceiling of 50,000 SEK per person (or 10,000 SEK for a couple), with the possibility of purchasing services for one's parents or grandparents also. The services covered encompass a large set of activities, from child-minding to snow shoveling. To benefit from the tax reduction, services must be bought from a tax-registered provider (company or solo-entrepreneur). Since 2009, households can benefit from an invoice model, meaning that 50% of the cost is directly deducted from the services they purchase, and it is then the company providing the services that reclaims the remaining cost from the tax authorities. Despite its recent introduction, this scheme has led to a very rapid growth of the domestic services sector, which in 2010 already had 12,451 registered providers, of which nearly 40% are solo-entrepreneurs (Gavanas and Calleman 2013). In Sweden, a similar tax reduction exists also for home maintenance, repair, and renovation work (ROT). What is interesting in the Swedish case is that there is no legal, national minimum wage. Instead, minimum wages are regulated in industry-wide collective agreements. In companies without collective agreements, wages can thus fall at a very low level. In the domestic services sector, only around 245 companies (albeit the largest) out of 16,000 companies are bound by collective agreements. Also, whereas around 70% of all employees in Sweden are members of a trade union, it is estimated that only around 5–10% of workers in domestic services are unionized, and workplace representatives are very rare (Gavanas and Calleman 2013). The promotion of the domestic services sector through the tax-reduction scheme has thus fostered a new segment on the Swedish labor market that both exposes and exploits some of the potential weaknesses of Swedish labor market institutions. According to data from the main employer organization Almega, 69% of the workforce is female, and 43% is foreign-born (Almega 2011). Around 4.5% of households made use of the tax deduction in 2010. Of the total tax rebate, 64% benefited households in the upper income quartile, compared with 7% for households in the lower quartile. People over sixty-five represent over a third of beneficiaries (Sköld and Heggeman 2011).

The State as Social Dis-Integrator? Analyzing State-Driven Forms of Labor Market Dualization and of Welfare Inequalities

As this rapid overview of the different schemes implemented across our country cases shows, there are cross-country differences in the timing and policy design of the schemes. These differences relate in particular to the

generosity of the scheme—here France and Sweden have by far the most generous policy—but also the extent to which these schemes allow for direct employment contracts (France, Germany, and Netherlands) or whether customers must go through registered providers (Belgium, Denmark, Finland, and Sweden). However, even within the latter group, registered providers can take on different forms: in Sweden for instance, solo-entrepreneurs represent about 40% of registered providers ([Gavanas and Calleman 2013](#), 13), employment contracts between these solo-entrepreneurs and their employers therefore resemble the direct employment contracts that are the norm in France.

A more important difference has to do with the types of services used. While both care and non-care related services are covered under these schemes in all countries, the types of services used vary quite substantially. Childcare (26%) and eldercare (31%) services represent the core of the domestic services activity in France ([BIPE 2012](#)) and responding to childcare and eldercare needs has been an important drive behind those policies in Germany and the Netherlands too. In the Nordic countries, however, these schemes are only to a limited extent used for care-related services. Thus, in Sweden, 89% of the work carried out concerns house cleaning ([Skatteverket 2011](#)). These differences are clearly related to welfare state institutions, with the Continental European countries offering limited public child and eldercare provision, whereas the Nordic countries offer universal child and eldercare services that cover most needs—at least for childcare. Recent cutbacks or at least increased targeting toward those with greater needs in eldercare may nonetheless explain the high proportion of people over sixty-five among the users of these schemes in the Nordic countries also.

Converging Trends

Despite these differences in policy design and usage, some converging elements nonetheless appear clearly. Not only have many countries across Europe engaged in a process of state-driven “domestic outsourcing” ([Jaehrling 2005](#)), the motives for doing so have been very similar, as well as the policy logic followed of subsidizing the demand rather than the provision of domestic services, which has important implications both for the distributive outcomes of these schemes, and for their impact on the labor market structure and working conditions in this sector.

With respect to the policy motives, fostering low-skilled jobs has been a key pre-occupation, as well as bringing undeclared work into the formal sector. While in Sweden and Denmark the domestic service sector was explicitly portrayed as providing especially immigrants with job opportunities, in other countries this dimension has been less salient, the focus being more on low-skilled workers more generally, and especially on women. The specific salience of gender, ethnicity, and class thus differs somewhat between the Nordic and the Continental welfare states.

Responding to child and eldercare needs, fostering gender equality by discharging women of domestic chores, and supporting the productive potential of the more highly skilled by facilitating work–life balance for them are also recurrent motives.

Most crucially, all the schemes implemented have in common the fact that they subsidize the demand (i.e., the user), rather than the provision of domestic services. In this way, the State not only structures the market for domestic services, but also frames the contractual relations in this market, which has implications for the working conditions in this sector (Jaehrling 2005).

Subsidizing the demand, rather than the supply, of services, raises a number of issues related to both labor market regulation and welfare provision. With respect to the labor market, subsidizing the user rather than directly supporting the supplier modifies the power relation between the user/customer and the supplier. While this may be beneficial when thinking in terms of user vs. commercial enterprise or large public structure, the way the domestic services sector is currently constituted, with a high proportion of solo self-entrepreneurs or small enterprises, or direct employment forms, means that the service providers are here likely to be in a vulnerable position vis-à-vis the employer/customer, with evident consequences on working conditions. Here, not only does the State structure specific contractual relations in this market, it also retreats from the capacity to even control work regulations by subsidizing work that takes place in a very specific work location, the domestic sphere (i.e., away from the reach of Labor Inspection), but also from the capacity to attach work regulations (collective agreements, dismissal protection, training requirements, union representation, and even minimum wages in some cases). Thus, in many ways, the State is actively deregulating the labor market and is doing so for specific target groups (the low-skilled, the long-term unemployed, migrants, women), which can be said to contribute to a dualization of the labor market. The data regarding the profile of the labor force in this sector across our different countries in terms of skill-level, gender and ethnicity, but also their working conditions and wages do seem to bear out that argument.

By subsidizing the users rather than the providers, the State also limits its capacity to set quality requirements to the services provided which, while provided by private providers, are nonetheless financed by public money. This goes well beyond the New Public Management purchaser–provider model that has been extensively analyzed in the welfare state literature, since here there is no longer any contract between the financier (the State) and the provider.

It is not just the quality of services that the State does not control, but also their geographical location. Indeed, the availability of services becomes dependent on a locally generated and market-driven offer. As such we can expect such services to develop essentially in urban areas and especially in the wealthier ones. Evidence from Sweden and Finland shows that the users of domestic services are indeed located in the larger cities, while in Belgium service users are concentrated in the wealthier Flanders region. Geographical inequalities in

service provision and use are relevant both in light of the stated objectives of these schemes (to generate non-displaceable local employment), but also from a welfare perspective in terms of geographical inequalities in access to care and other domestic services that are subsidized by public money.

These geographical inequalities are compounded by socio-economic inequalities. The data for France, Finland, and Sweden (and information on Denmark under the earlier scheme) clearly show that the main beneficiaries of these schemes are wealthier households, and the user profile for other countries also seems to indicate that high-skilled professionals are among the main users (e.g., Belgium). Older people are also strongly represented, along with families with young children, indicating that these services are also fulfilling care needs.

These policies are thus possibly indicative of a new approach to care provision. This trend toward subsidizing the demand, rather than the provision of care, and the marketization of care that it has entailed in many countries has of course been highlighted in the welfare literature ([Brennan et al. 2012](#); [Morel 2007](#); [Pavolini and Ranci 2008](#); [Ungerson and Yeandle 2007](#)). However, as previously mentioned, this goes beyond the marketization of care through cash-for-care schemes, since the possibility to purchase services is based on individual financial means, rather than on needs-assessment. While in some countries (e.g., France, the Netherlands, and Germany) there is a combination of cash-for-care schemes and fiscal schemes, altogether what is witnessed here is a trend toward the privatization, rather than marketization, of care provision. While the extent of this varies between our Continental and Nordic countries, the long-term transformative impact of this silent privatization is likely to be greater for the Nordic countries. In Sweden for instance, private providers of publicly funded home care services are allowed to offer extra services, enabling high income older people to top-up their needs-assessed home care services with services from the same provider, benefiting from the tax reduction and thus increasing inequalities in eldercare ([Szebehely 2011](#)). And in Denmark the scheme has clearly aimed at providing services to the elderly. Thus, not only has a private market for wealthier elderly been created, it may also in the long-run lead to incremental changes in the publicly financed sector as expectations vis-à-vis the public sector are lowered, but also as budgetary constraints become greater due to the lower fiscal revenues these schemes entail. While this remains speculative, one could argue that these fiscal policies may well amount to a “starve the beast” strategy: fiscal revenues are reduced, thus accentuating budgetary constraints in order to establish a political and ideological climate favorable to budgetary cutbacks, not least in the social policy field.

In this respect, the high cost of these schemes for the public finances is worth noting: €6.6 billion in France, €1.89 billion in Belgium, €1.15 billion in Germany, and €475 million in Finland. In Sweden, the cost has gone up from 1 to around €162 million over a five-year period. Thus, these policies cannot be interpreted as a simple roll-back of the State and shift toward the

market: the state still finances care services, and now also other domestic services, but it does so by subsidizing the demand for private services rather than the supply of public services, and it does so through tax expenditures rather than direct government spending. There thus appears to be a modification both in the governance of welfare and in its distributive outcomes.

Conclusion

The different elements outlined above raise a number of issues, tensions, and contradictions regarding the policy developments that have taken place across Europe over the past two decades, and which warrant further research. First of all, such a policy orientation can be questioned in economic terms as the promotion of domestic services comes at a cost for public finances which is far from negligible and one may question the kind of economic model that such a policy orientation promotes, targeted as it is toward the development of low-skilled work through a policy that aims at reducing labor costs and at deregulating the labor market, rather than at up-skilling or at promoting activities with a higher added value (as the aim of turning Europe into the most competitive knowledge-based economy would seem to entail).

This policy orientation also reflects specific societal choices, in that the development of domestic work, as it is structured through these policies, can only prosper in a context of important socio-economic inequalities. Thus, not only do these policies explicitly seek to accentuate income differentials, they also implicitly promote a societal structure based on a distinction between “productive” and “unproductive” workers, where the more highly skilled productive workers and/or wealthier individuals are encouraged to delegate the more “basic” domestic and caring tasks to the low-skilled. A similar tendency to reinforce or even foster socio-economic inequalities between the low-skilled and the high-skilled, between migrants and non-migrants, in quite an intentional and well-assumed fashion appears in all countries. These policies thus effectively transform social relations and symbolic hierarchies.

While such a policy orientation seems likely to reinforce or institutionalize increasing dualisms in the labor market between the high-skilled and the low-skilled, it may also increase or even generate inequalities in the access to care or to the possibility to reconcile work and family life. Indeed, even when subsidized, the cost of these services for users remains well beyond the cost of collective social services and thus inaccessible to those on lower incomes. The distributive outcomes of these policies and their effects on welfare certainly warrant further research.

Of course, the way the different policy schemes addressed here have been framed and the objectives pursued vary to some extent according to the different policy nexus/institutional frameworks of the different countries, just as the consequences and intensity of the changes brought about are likely to be

mediated by the different national institutional contexts (Carbonnier and Morel 2015; Simonazzi 2009; Williams 2012). There is nonetheless a great heuristic value in considering together the policies that have been set up across the Continental and Nordic welfare states for analyzing the changing political economy of CMEs, both with respect to the regulatory mechanisms governing the labor market and to welfare institutions.

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Notes

1. “Commission staff working document on exploiting the employment potential of the personal and household services” SWD(2012)95 final, p. 4. This figure can only be a rough estimate as the personal and household services encompass activities that are classified in different Statistical Classification of Economic Activities in the European Community (NACE) sectors.
2. [http://www.servicesalapersonne.gouv.fr/chiffres-cles-\(2064\).cml](http://www.servicesalapersonne.gouv.fr/chiffres-cles-(2064).cml)
3. The figure provided by the Government and the National Agency for Personal Services (ANSP) corresponds to the number of people having worked at least once during the year in these services, independently of duration of work (even if the person has only worked 1 h). Since most workers in this field (over 70%) work part-time, and mostly short part-time (around 12 h a week), the number of jobs created in full time equivalent would be much lower than the official figure. According to the National Statistics Office (INSEE), the number of full-time equivalent jobs created between 2005 and 2009 is only 102,000 (cf. Jany-Catrice 2009; Cour des Comptes 2010).
4. <http://www.eurofound.europa.eu/areas/labormarket/tackling/cases/be004.htm> (accessed 03 April 2012).
5. <http://www.emploi.belgique.be/defaultTab.aspx?id=651> (accessed 17 July 2013).
6. <http://www.eurofound.europa.eu/areas/labormarket/tackling/cases/de016.htm> (accessed 17 July 2013).
7. <http://www.eurofound.europa.eu/areas/labormarket/tackling/cases/fi004.htm> (accessed 17 July 2013).
8. <http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/nl001.htm> (accessed 25 October 2013).

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