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# Policies to Boost Services and Employment in the Long Term Care Sector. A Downward Convergence Towards Low-Wage Service Jobs in the European Welfare State?

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ANDREA CIARINI

## Policies to Boost Services and Employment in the Long Term Care Sector. A Downward Convergence Towards Low-Wage Service Jobs in the European Welfare State?

### 1. Long-term care and the labour market: An overview

In recent years, employment in long-term care (LTC) services has increased in all European countries. Although differences in national settings remain, the potential of these services in terms of job creation has been widely recognised by European institutions. The *Employment Package* and the *Social Investment Package*, launched by the European Commission in 2012 and 2013, granted special attention to the employment potential of these services. Together with the broader field of personal and household services<sup>1</sup> LTC services represent one of the key areas of the European social agenda, especially in view of those social investment-based policies aimed at preparing people to confront the «new social risks» (Esping-Andersen *et al.* 2002; Taylor-Gooby 2004; Bonoli 2005; Vandenbroucke *et al.* 2011; Morel *et al.* 2012), they be related to the problem of balancing paid work and family responsibilities or promoting the availability of in-kind services for frail elderly and dependent people.

As demonstrated by the debate on care regimes (Anttonen and Sipilä 1996; Bettio and Plantenga 2004; Jensen and Pfau-Effinger 2005; Bettio *et al.* 2006; Naldini 2006; Saraceno and Keck 2011) these services are provided in a way that varies

*I would like to thank Massimo Paci and the anonymous referees for their remarks and suggestions, which helped improve the first version of the essay.*

<sup>1</sup> According to Eurostat definition «personal and household services» (PHS) covers a broad range of activities that contribute to well being at home of families and individuals: child care (CC), long term care (LTC) for the elderly and for persons with disabilities, cleaning, remedial classes, home repairs, gardening, ICT support.

widely from country to country, through the private market, the direct involvement of public institutions or different mixes of public and private/formal and informal supply. There are countries that have traditionally focused on the growth of public formal supply through a well developed system of in-kind services (traditionally the entire Scandinavian grouping), countries where public provision is limited compared to the large incidence of the formal for profit supply (the United Kingdom) and countries such as Italy, Spain, where formal supply, both public and private, is lower compared to the higher incidence of informal work within the family. Finally, there are countries such as France in which the increase of LTC benefits was driven by a mix of formal employment at home and in-kind services through vouchers and cash for care schemes (Kross and Gottschall 2012; Farvaque 2013).

In parallel with the first LTC reforms, many scholars have focused on the emergence of vouchers as a consequence of the introduction of quasi-markets, with their division between funding and service provision functions. Some scholars interpreted these trends as a consequence of the rising role played by market consumerism in the public policies debate with the explicit objective of reducing public spending of care (Ungerson 2003; Ungerson and Yeandle 2007). Others (Lundsgaard 2005; Morel 2007; Paci 2007; Pavolini and Ranci 2008; 2012) have emphasised that these processes contributed to restructure rather than to reduce LTC services, enabling users and families to choose between various alternatives of care, either formal or informal. It has to be said, however, that these changes not only affect the regulation of care. They also affect the labour market, as the use of use vouchers and these tools acting on the demand side are strictly related to job creation strategies in personal and household services.

The promotion of regular employment in the care sector through vouchers is a very important issue. However, these services are facing several challenges. As many analyses have shown (Simonazzi 2009; European Commission 2012a; Colombo *et al.* 2011; Geerts 2011; OECD 2013) working conditions in LTC and more in general in personal and household services are characterized by an high incidence of low-paid and low qualified jobs, high female segregation and a strong variety of employment relations, including an expanding low-paid workforce at home. A noteworthy contribution to this debate was

given by the analysis that focused on the relationships between paid work and caring responsibilities (Jensen and Pfau-Effinger 2005; Da Roit and Le Bihan 2010; Pfau-Effinger and Rostgaard 2011; Saraceno 2009; Saraceno and Keck 2011) and by those studies that focused on the employment of migrant workers, both in formal and informal care (Simonazzi 2009; Cangiano *et al.* 2009; Simonazzi and Picchi 2013; Da Roit and Weicht 2013). As highlighted by some of these analysis there are relevant differences among care regimes with regard to employment conditions in LCT, even in those countries that share a common tradition in terms of welfare arrangements. This is especially true for countries on which this article focuses its attention: France, Germany, and Italy.

The aim of this article is to analyse the emergent relationships between LTC services and policies to boost employment in the personal and household services. The article is structured as follows. In the first part we proceed to compare LCT reforms introduced in recent years, paying particular attention to the functioning of the main benefits provided, the levels of public and private spending, the assessment processes and the way formal and informal providers interact. In the second part, the analysis will focus on the emergent employment models in the LTC sector in the three countries. In view of this, we analysed how and to what extent France, Germany and Italy have generated an employment growth in the LTC sector with a tendency to favour low-income and low-skilled work. In doing this, we will show how changes that have occurred are actually modifying the employment models, especially with regards to Germany that, in recent years, has been going towards the classic trade-off between formal employment growth and compression of wages and working conditions. Among these countries, Italy is the one that shows the fewest signs of innovation, relying on traditional cash transfer and irregular work at home. Whether, and in which direction, the Italian model will be able to converge toward the creation of a formal regular market is an open question on which we will focus the analysis.

In the second part we illustrate how the strategies to boost regular employment in the LTC sector has a pivotal link with the minimum income schemes, seen as measures that help to integrate and reproduce low paid jobs. In this aspect, France and Germany represent two distinct models, with interesting effects to be highlighted in terms of the sustainability of social

spending, particularly when compared with Italy, because of the absence in the latter country of a real anti-poverty policy. Lastly in the final part, based on the analysis conducted, we will try to examine to what extent and in what direction a convergence between different employment patterns is traceable, especially in light of the current fiscal constraints imposed at a European level.

## 2. Long-term care reforms and trends in the welfare supply

All three countries analysed here have different cash for care schemes for LTC services. Germany was one of the first European countries to set up, in 1994, a specific long-term care insurance (LTCI) for the whole population. In France, reforms were aimed not at introducing a new compulsory social insurance but a social assistance scheme for elderly people over 60 (the *Allocation Personnalisée d'Autonomie*) funded by the general tax system with additional funding from social contributions.

With this said, services are provided by a quasi-market system, that is to say voucher and earmarked cash benefits aimed at enabling dependent people and their families to choose between various alternatives of care, either formal (public, private or third sector) or informal, or, as a third case, a mix of these two options (Evers and Sachße 2003; Pavolini and Ranci 2008). Particularly in home-based care, these options are not mutually exclusive; rather, the beneficiary is able to draw on different kinds of services at one and the same time, combining the various options offered by the social care market according to a personal needs assessment.

The German *Pflegeversicherung* does not require a strict monitoring to verify how the payments are actually used. According to many scholars (Jacobzone and Jenson 2000; Simonazzi 2009; Da Roit and Le Bihan 2010; Bettio and Mazzotta 2011; Colombo *et al.* 2011; Rothgang 2011; Simonazzi and Picchi 2013), this feature has been instrumental in fostering family care giving together with a wide range of irregular labour, provided for the most part by immigrants (Colombo *et al.* 2011; Bode and Chartrand 2011). This is not the case in France, where not only is the correlation between migration and (irregular) care market less evident (Simonazzi and

Picchi 2013), but formal compensation for family caregivers is also more limited. It only covers the option of transferring a part of a voucher payment to a family member, spouses or live-in companions excepted (Da Roit *et al.* 2013; Le Bihan and Martin 2011). Furthermore, this compensation has to be recognised by a formal contract between carer and care recipient. Indeed, many of the studies about «care regimes» have highlighted differences between Germany, more rooted in the tradition of the *male breadwinner family* and France, which appears more oriented toward supporting formal services. As a matter of fact, the LTC reforms introduced in France have favoured the development of a formal care market based on earmarked cash benefits. Following this approach, the quasi market was enlarged in 2005 to cover all personal services with the establishment of a National Agency for Personal Social Services, an inter-ministerial entity that oversees the entire personal care sector. In 2014 the Agency was incorporated into the Ministry of Economy and Industry. Further efforts to extend and optimise the voucher system have involved introducing a single voucher that can be used for the entire range of personal and household services, the *Cheque Emploi Service Universel* (CESU). Using the CESU, a family can choose among various alternatives, from a private formal provider to a single worker providing care (and domestic work) at home. When the chosen provider is paid using the universal voucher, the family is able to take advantage of tax breaks that make it convenient to hire an individual services provider at home. The CESU is available in two versions: the «déclaratif» CESU, which corresponds to the previous *Chèque emploi service* (which was replaced by the CESU in 2006), and the «préfinancé» CESU that makes it possible for an employer to pay his or her employees with checks allocated to personal services, not subject to social security contributions or income taxes for employees. In terms of forms of employment, there are three different kinds of work relations associated with these vouchers. What is known as *gré à gré* is a direct employment in which a worker is employed directly by the user to carry out labour in the home. In a *mandataire* position, employment is mediated by an employment agency authorized to provide labour at home. Lastly, families can turn to *prestataire organisations*, private services providers that are mainly for profit – 72% of

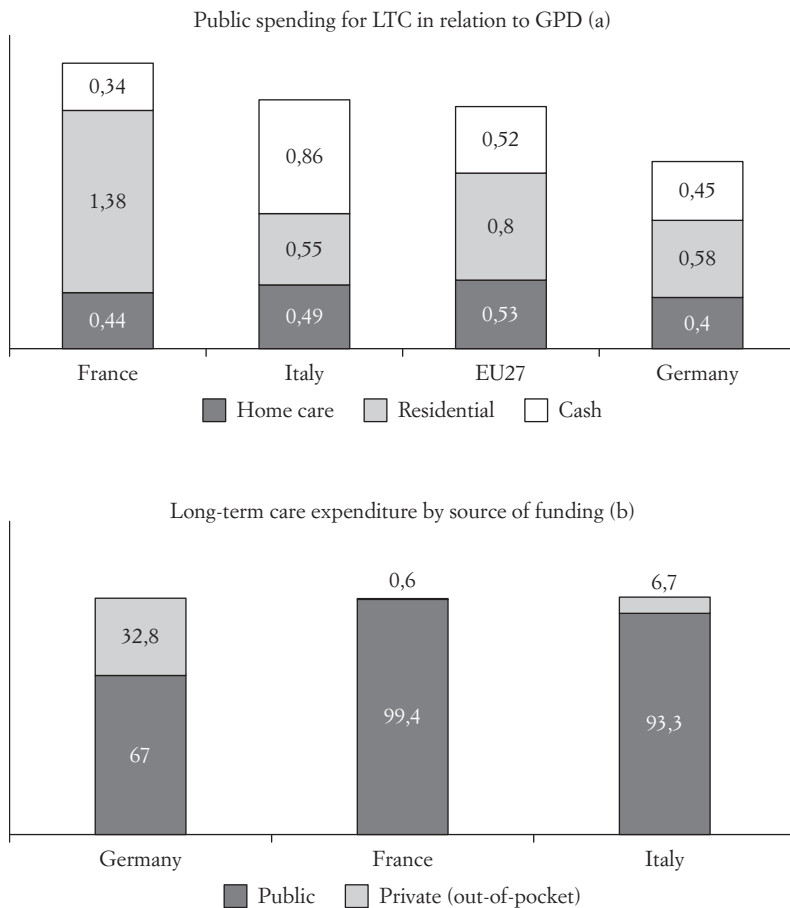


FIG. 1. Public and private (out-of-pocket) spending for LTC.

*Note:* (a) Estimate for 2010; (b) Germany and France estimate for 2008; Italy estimate for 2008.

*Sources:* (a) European Commission (2012b). (b) Germany and France: European Commission (2012b); Italy: Fosti and Notarnicola (2014).

the entire *prestataire organisations* according to the *Cour de Compte* (2014).

Compared to Germany and France, Italy is lagging behind in terms of the development of a real national strategy of reorganisation of the LTC policies. However, the funding dedicated to assistance is not the only problem that adversely

TAB. 1. Long term coverage as % of population aged 65 years and over (2011), val. %

	Institutions		Home	
	2006	2013	2006	2013
Germany	3.8	4	6.7	8.4
France	3.9	4.4	5.9	6.9
Italy		2.5*	0.7	1.3

Note: \* 2010.

Source: Oecd.stat; Residential services in Italy: NNA (2013).

affects the LTC sector. From the point of view of public spending in relation to the GDP, Italy is above the European average (1.9% versus 1.84%), even above the rate in Germany (1.43%), but well below France (2.16%) (see Fig. 1). Although Germany was among the first European countries to adopt a policy for long-term care, spending continues to be low, although it is increasing. Between 2002 and 2013 LTCI expenditure rose from a total of 16.5 to 23.2 billion euros, of which 12.3 billion was allocated to home care services and 10.9 to residential services (German Federal Ministry of Health 2014). This expenditure is still limited in relation to the GDP (see also Marx and Nolan 2014), corresponding to a strategy aimed at expanding the coverage rates of services through a limited increase in public spending. In relation to this low level of public expenditure, the coverage rate for residential and domiciliary services is comparatively high and rising, actually higher than in France, especially with regard to the population aged 65 and over (see Tab. 1). On the other hand, Germany is one of the European countries with the highest private (out-of-pocket) share of expenditure. According to Eurostat estimates (European Commission 2012b) 32.9% of the total Long-term nursing care expenditure in 2008. In France the same out-of pocket expenditure represents a very small share of the total spending, with only 0.6% (*ibid.*).

In Italy the majority of the LTC expenditure is public (93.3%). Although it is rising, the coverage rate for home care services continues to be very low, just 1.3% among over 65. Moreover, a remarkable critique of the Italian LTC sector concerns the relationships between cash and in-kind services. In contrast to the European average and the countries considered here, the cash component absorbs most of the resources. Given



the low levels of coverage of in-kind services, the *Indennità di accompagnamento* constitutes the main benefit in the field of LTC. It makes up 44% of all public spending for LTC as compared to the 10% covered by social expenditure from local authorities and a remaining 46% by the national health system (Minister for Economic and Financial Affairs 2014). In 2013, beneficiaries numbered 1.8 million – 2/3 of beneficiaries are over 65 (Inps 2015) – at a cost of approximately 12.9 billion euros – 13.6 billion euro in 2014 (Inps 2015), representing 0.8% of the total GDP (*ibid.* see also Tab. 1).

In this context, the most critical concern is how this universal not means-tested benefits works. The fact is that the «*Indennità di accompagnamento*» is an isolated measure that lacks a comprehensive policy in relation to family care giving and regular employment at home. In managing the *Indennità di accompagnamento* there are no efforts to regularise either informal care relationships (whether provided by a family caregiver or a workers) or purchase these services in the formal care services market. In other words, this benefit reproduces a model based on money transfers to households (following in the tradition of Mediterranean welfare states) without any means of monitoring the use of resources for compensating informal care work or contrasting undeclared employment (Simonazzi 2009; Da Roit e Sabatinelli 2012; Da Roit e Weicht 2013). On the other hand, if substantial innovations in this direction have not been introduced on a national level, on a regional level different kind of earmarked cash benefits are available. Following the introduction of the 328/2000 law on social assistance, different regions, especially in the North and Centre-North, have predicted various schemes of cash allowances aimed at promoting both regular employment within the families and providing subsidies to family caregivers (Gori 2008; NNA 2013).

Under current conditions, the provision of this benefit is adversely affected by problematic elements on several fronts. In the absence of «national» need assessment grids, the provision of this compensation is left up to the discretion of local health authorities, with the result that beneficiaries either receive a fixed sum of 508 euros or are judged ineligible. By contrast, in both Germany and France the assessment is carried out using a national grid comprising multiple levels of need. In Germany, this grid is organised into three levels,

each of which is associated with a different amount of money ranging from 235 to 700 euros/month in cases where the user opts for *tout court* payments, and from 450 to 1,550 euros/month in cases of home-based or residential services. Recently two additional levels have also been added, a base level for cases of minimal non-self-sufficiency, with an allocation of 120 euros/month, and a fifth level for cases of more severe non-self-sufficiency, which finances services up to a maximum of 1,918 euros/month (German Federal Ministry of Health 2014). In France, the national grid AGGIR (*Autonomie Gérontologique Groupes ISO-Ressources*) comprises six levels (ranging from 652 to 1,312 euros/month). In contrast to the German context, this assessment tool for identifying need levels is managed by departmental authorities (in Germany, the assessment and selection of services is supervised by the case managers of the Social Fund that the beneficiary is registered with). In this case, the assessment is a prerequisite for issuing the voucher, which represents various in-kind and (more limited compared to Germany) cash options.

So far we have focused on aspects related to the regulation of care. However no less important is to consider the employment patterns of the LTC sector, as they are strictly related to the way in which welfare states intervene in the development of social services.

### 3. Strategies of job creation in long-term care services: The care employment models in Germany, France, Italy

Changes in the institutional organisation of welfare systems not only affect the nature and scope of social services, they also affect the care labour market. This nexus is particularly important in France and Germany as they stimulate the creation of new jobs at the margins of the labour market through the implementation of reforms in LTC services. These reforms contributed, especially in Germany, to overcoming some of the past rigidity of the labour market that curbed formal employment in the low-end service sector – including personal and household services – in the previous «welfare without work» model (Esping-Andersen 2002; Pierson 2001; Hemerijck 2002). Indeed, France and Germany have long succeeded in remaining resilient, from the enduring rigidity of collective bargain-

ing to less extensive development of low-wage jobs in service economy and a comparatively high incidence of unemployment (mainly among young people and women). This form of resilience historically has neither followed the trajectories of Anglo-Saxon countries, which first expanded formal jobs through low wage private employment, nor followed those of Scandinavian countries, in which the expansion of social care services has traditionally been supported by public employment and an explicit policy aimed at preventing the emergence of a low-skilled and low-paid market for care workers. In continental European countries, in contrast, the employment model characterizing the care labour market has long been affected by a combination of low employment rates as well as rigidity in protecting standard jobs (including public ones) (Eichhorst and Marx 2012). In this view, France and Germany have moved beyond this state of resilience using a highly diverse mix of formal jobs in direct employments at home and in private organisations, both profit and not for profit.

The French strategy was based on a peculiar integration between social and employment policies, namely the full development of quasi-markets on one hand, and job creation strategies in personal and household services on the other (Ciarini 2011; Farvaque 2013), especially at home, thanks to the extensive endowment of publicly co-financed earmarked cash benefits. Under current conditions, the CESU is the instrument around which the whole architecture of the personal and household services is built. This model has had an undeniable effect on the formalisation of the care labour market. In 2011, 3.4 million families (13% of the total) used personal care and assistance services, up 8% from 2005 (Farvaque 2013). As far as job creation is concerned, between 2003 and 2010 these policies produced an approximately 47% increase in regular employment positions (up 330 thousand between 2005 and 2010). In 2010 the number of individuals employed in the so called *services à la personne* (74% of which employed directly at home and the remaining 26% employed through private provider) came to 1.5 million. According to recent data (Cour de Compte 2014) employment have declined in recent years, reaching 1.3 million people in 2012, equal to 513 thousands full-time equivalent jobs. Just like the rest of the French labour market, however, this decrease has also been affected by the economic downturn. There was at any rate a significant

increase as compared to 2004, before the reorganization of the personal and household services sector.

Actually, there are also critical issues that this orientation has determined. Firstly, as emphasised by many scholars (Simonazzi 2009; Simonazzi and Picchi 2013; Farvarque 2013), in terms of quality of work and unskilled jobs. From this point of view, if the CESU has done much to make the regularisation of labour relations convenient, it did little to sustain skills and the quality of care work. This is, of course, also due to another fundamental characteristic of French *service à la personne*, that is, having turned personal social services into a priority means for the inclusion of the unemployed and low-skilled individuals in the labour market (Le Feuvre *et al.* 2004; Windebank 2007; Ciarini 2011; Bailly 2013; Farvaque 2013). From the point of view of the quality of work, the care labour market in France reflects characteristics that we find generally in many European countries, with exception of the Scandinavian countries, namely: the high incidence of low wage work, high gender-segregation – 90% of female workers according to data of the Cour de Compte (2014) – remarkable use of part-time work – 77% among workers at home, 68% including the employees of the private provider (*ibid.*) – low educational levels – less than half of the in-home care workers has a qualification equivalent to secondary level education (*ibid.*). The share of migrant workers in home care services is, instead, much more limited. According to data reported by Da Roit and Weicht (2013), in 2009 there were 95,000 migrant workers, 18% of the total number of workers employed directly by families. According to estimates by the Cour de Compte (2014), this percentage is even lower, about 12%. It is a low figure when compared with Italy – estimates indicate a variation of the number of family-based care workers between 700,000 and 1 million (Simonazzi 2009; Pasquinelli and Rusmini 2013), most of them irregular and immigrants. Similarly, in Germany, the incidence of the migrant care workers is higher. Still according Da Roit and Weicht (2013), if the families who employ migrant care workers are between 100,000 and 150,000, the number of migrant care workers varies between 200,000 and 300,000. In contrast to Germany, the French model relies on native care workforce at home. This is a peculiarity of this country (Simonazzi 2009; Roit and Weicht 2013) which appears more oriented toward conceiving

personal and household service as a field of job creation for the unemployed and low-skilled people.

Many studies about care employment regime (Simonazzi 2009; Le Bihan and Da Roit 2010; Bettio and Mazzotta 2011; Colombo *et al.* 2011; Rothgang 2011; Simonazzi and Picchi 2013) have highlighted differences between France which as a matter of fact appears more oriented toward supporting formal services and formal employment and Germany more rooted in the tradition of the *male breadwinner family*. However things are changing in this country. In fact recent trends in the choice of how to use these payments highlight that there has been a decrease in *tout court* monetary payments for family caregivers in Germany and an associated increase in home-based and residential services (Rothgang 2011), both in terms of beneficiaries and in terms of the number of workers and formal providers involved. As the following chart shows (see Fig. 2), between 2003 and 2011 there was a 44.8% increase in subordinate employment in home-based services, and of 29.4% in residential services. According to other estimates (Lamura *et al.* 2013) between 2000 and 2010 formal employment, that is to say the number of workers hired by private providers, increased by 30% for residential care and by 50% for home care.

These changes suggest that also the German care labour market is undergoing a process of formalisation, a trend which is also demonstrated by the increase in the coverage rate for in-kind services (see Tab. 1) and in the formal private provision (Rothgang 2011; Bode and Chartrand 2011). It must be noted here that while for-profit providers already cover 40% of the residential supply, their proportion reaches 62% in the home care provision. In contrast, in both cases the public supply remains quite minimal, approximately 5% (Bode and Chartrand 2011).

It is clear that this represents a shift in the policy making approach if we consider that, in the beginning, the new LTCI mainly depended upon the informal care provided by relatives and the irregularly employed care workers at home. Despite its introduction was explicitly welcome as a strategy to expand the formal care sector, and to relieve informal care (Lamura and Mengani 1995), the limited development of in-kind services and the general lack of oversight, with respect to the use of cash-for-care programmes, have in fact mainly

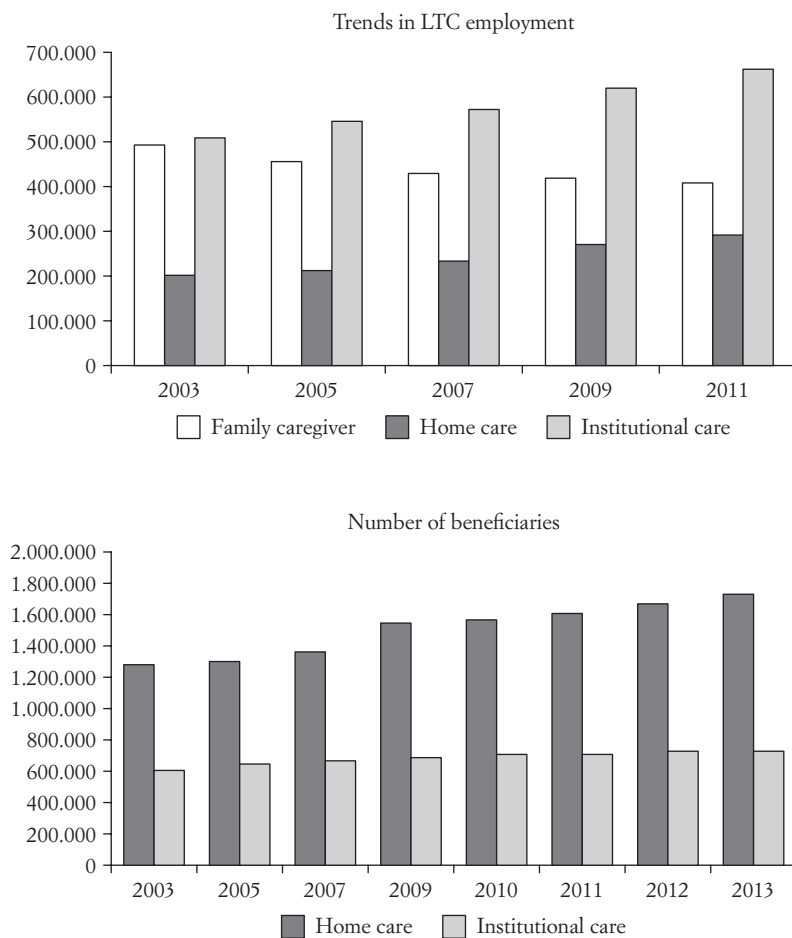


FIG. 2. Germany: Trends in LTC employment (family caregiver, home care, institutional care) and number of beneficiaries, 2003-2013, (Thousand).

*Source:* German Federal Statistical Office, Business statistics of the LTCI funds.

fueled the family care giving and informal work (Rothgang 2011; Angermann and Eichhorst 2012). In contrast, current trends stray from this model. German LTC appears to no longer rely on informal care giving and an irregular migrant care workforce at home. Rather, it tends to depend on low wage formal employment: this takes place both at home

through mini-job positions and above all through dependent employment in the formal care market.

Let us look more deeply into the impact of LTC reforms on the labour market in the German context. As part of the measures aimed at stimulating employment at the periphery of the labour market (the Hartz reforms passed in 2003) (Gualmini and Rizza 2011; Palier and Thelen 2012; Farvaque 2013; Baccaro and Benassi 2014), the so-called mini-jobs system (positions that earn a maximum of 450 euros a month and are not subject to tax payments or contributions for the employee) has involved introducing tax breaks and simplified procedures for families to hire individuals to work in their homes<sup>2</sup>.

Although this arrangement has been in place since the 1970s as a secondary position for formalizing second jobs or earning an income for domestic work carried out by family members, the 2003 reforms significantly expanded this system of flexible, low-wage jobs to the point that it has reached 7.5 million positions, 63% occupied by women. Of this 7.5 million, however, only about 240 thousand mini-jobs are in private households (Angermann and Eichhorst 2012). According to recent studies (Lamura *et al.* 2013) it has been estimated that 200,000 families are involved in direct employment of migrant domestic/care workers. This situation could imply a shift from irregular jobs to low wage direct employment at home. It remains that direct employment in private households, is less extensive than in other European countries such as France, where formal household services have been boosted thanks to the voucher system.

In Germany, direct employment in private households remains more limited. This fact is supported by the relatively

<sup>2</sup> There are three different types of mini-jobs in Germany depending on the professional sector and how long the position lasts: commercial, that is to say, a position paid up to 450 euros per month with a maximum of 15 hours per week. The cost for the employer is a 2% tax and 28% social security (with 15% going to the pension fund and 13% for sick leave). Workers are exempt from paying contributions; the family type: light services provided for family members compensated by an even lower contribution by the employer (lower than the commercial sector); short-term: with a duration not to exceed 50 working days per year. This type is virtually exempt from social security contributions, but there is a 25% tax burden for the employer. In 2013 another type of contract was introduced, the so called midi-jobs, distinguished from classic mini-jobs by the maximum income ceiling, set at 850 euros per month.



limited diffusion of the German household cheque system (*Haushaltsscheckverfahren*), introduced in 2003 following the French CESU model. Compared to the French CESU, the *Haushaltsscheckverfahren* is much less extensively developed. As a result of the more minimal tax breaks for the employer, it takes the form of a simplified registration of domestic personnel (Angermann and Eichhorst 2012). Conversely, subordinate employment, albeit compensated at low levels, has increased. In many respects, personal and household services in Germany represent a low-wage employment segment.

There are multiple factors that determine this situation, first and foremost the lower productivity that effectively characterises a large part of this labour-intensive sector (Colombo *et al.* 2011), with negative effects on the medium salary level. At the same time, we must also take into account certain policy decisions aimed at curbing labour costs that thereby contribute to the spread of formal employment positions with a limited social expenditure. In relation to the problem of low wage jobs in the care sector, it should be noted that, in introducing long-term insurance, policy makers have chosen to fix salary levels at 10% below those of the public sector (*ibid.*). It was not until 2010 that legislators introduced a minimum hourly wage for LTC workers, set at 8.50 euros in West Germany and Berlin and 7.50 euros in East Germany. This was quite a significant step forward for a country that only recently (beginning in January of 2015) extended the minimum wage (*Mindestlohn*) to the entire labour market, at the same level as established for the care sector (8.50 euros/hour).

In terms of the effects associated with this situation, it is true that, without a minimum hourly wage, the presence of mini-jobs has contributed to keeping formal wages low in the care sector. Here, the importance of mini-jobs is not so much in their numerical relevance, as much as in having helped to keep down the labour costs for formal supply. Indeed, as outlined by Eichhorst, Marx and Tobsch (2013), beyond a restricted group of professional workers (employed mostly in nursing homes) who enjoyed raises in recent years, the majority of workers in this sector saw their contractual conditions deteriorate, with lower wages, low level of training and qualification and a rising proportion of agency workers.

In contrast to France and Germany, the Italian LTC labour market is still heavily dependent on irregular work, provided



mainly by immigrant women without any contractual protection (Bettio *et al.* 2006; Simonazzi 2009; Da Roit and Weicht 2013). Despite an increasing amount of resources allotted to LTC over the years, Italy continues to be characterised by an imbalance in favour of more cash for care schemes that is not aimed at regularizing informal work or promoting the direct creation of formal in-home jobs. As Pavolini and recently noted Leon (2015; see also Simonazzi and Picchi 2013), the only real LTC policy in Italy has been that of providing indirect support to the recognition of the role that migrant workers play through regularisations and quotas for migrant flows and effectively accepting irregular work in private households.

As far as formal employment in LTC is concerned, the number of professionals employed by the formal sector is relatively low, due to the low level of coverage of Italian LTC in-kind services. The Italian system mainly aims to maintain the dependent person at home thanks to informal care provided by families and care assistants, in most cases migrants. Estimates of the incidence of irregular employment fluctuate widely. According to Pasquinelli and Rusmini (2013), there are 830 thousand irregular employees working in the care sector, usually with no formal qualification in care and nursing services. In view of this fact, collective bargaining represents a critical element as well. In the care sector, the current sectoral agreement (2013-2016) establishes eight levels of pay which are in turn divided among live-in companions, non-cohabiting companions and workers who provide assistance or are present during night time hours. In 2015, the minimum pay for family workers without experience or professional qualifications was set at 620 euros/month excluding social security contributions<sup>3</sup>. At the other end of the spectrum, for the most professionalised staff that provides continuous assistance to dependent persons the minimum pay (excluding contributions and additional costs associated with living on site) is 1,360 euros/month. In the absence of effective contrasting of undeclared labour and given that there are no restrictions as to how the *Indennità di accompagnamento* can be used, collective agreements are

<sup>3</sup> The contribution imposed on a 24-hour work week with a permanent contract varies according to the type of position from a minimum of 1.39 euros per hour to a maximum of 1.92 euros per hour.

structurally and tacitly vulnerable to intense dumping. According to a recent comparative analysis on home care work (Farvarque 2013), Italy (along with Spain and Portugal) stands out among European countries for its high incidence of undeclared labour. In this study, the author highlights a highly relevant aspect of employment within families, namely the fact that, although there have been efforts to regularise home care work over the years, these efforts have been made without an integrated social care policy aimed at the creation of regular jobs at-home. As previously outlined Italy is a country that tolerated irregular employment, with occasional reduction of irregular workers through amnesties and subsidies. Between 2001 and 2002, at the time of the first regularisation for migrant care workers following the Bossi-Fini Law, the number of regular position rose from 140 to 419 thousand (Da Roit *et al.* 2013). The same happened during the regularisation of 2008-2009 with an increment from 530 to 800 thousand regular positions (*ibid.*). These short-term temporary solutions provided by the amnesties – the last one in 2012 – on one hand have produced large increases of regular work in domestic services, but on the other have not yet contributed to the consolidation of a specific job creation policy in personal and household services. This assertion is further supported by the fact that the use of vouchers for supplementary work – introduced in 2008 – has not been tailored for a specific social services sector. Rather, from 2012 it has been extended to a wide range of low-end services, from domestic work to trade, agriculture and tourism. This may certainly have contributed to the emergence of undeclared labour, but it has been less effective in promoting a clear strategy for the development of regular employment in personal and household services. This policy choice is different from those implemented in France, where the introduction of the CESU has been oriented toward boosting employment in this specific field of social intervention, included LTC services. In contrast to France, the Italian voucher appears to have more in common with the measures adopted in Germany, as a consequence of the mini-jobs reforms in order to stimulate regular employment in low-end service jobs. As far as job creation is concerned, regular employment in this sphere has been increasing over the years, especially between 2012 and 2013 when the use of the voucher was extended too many service activities. The labour market reforms in 2015 extended

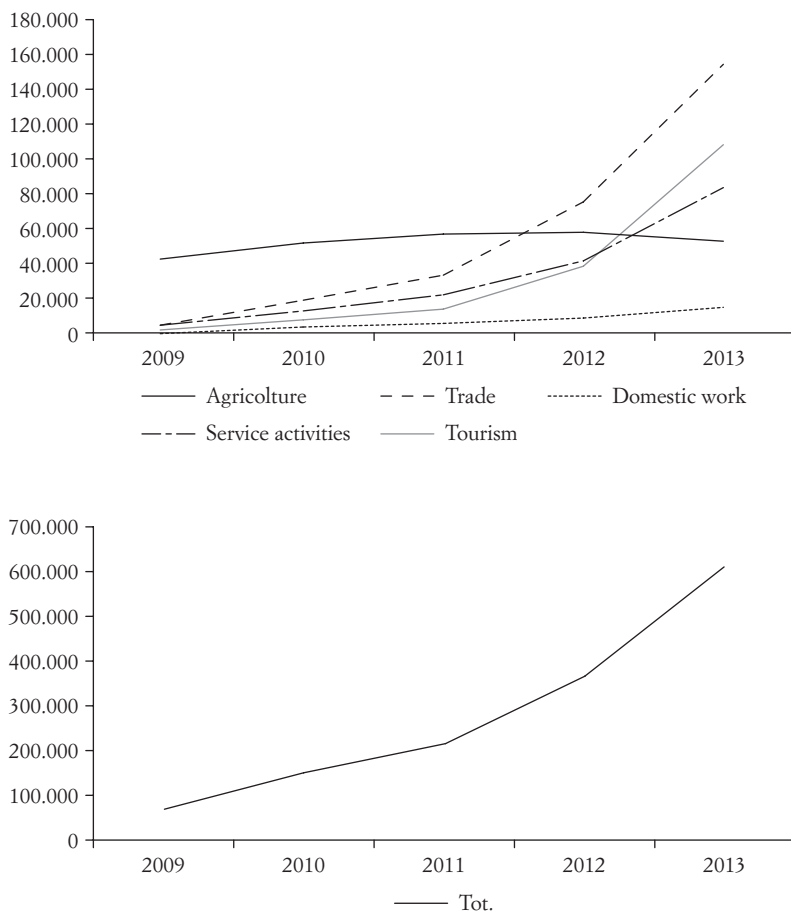


FIG. 3. The impact of the occasional work voucher on the labour market, 2009-2013 (Thousands).

Source: INPS – Osservatorio sul lavoro accessorio database.

tax breaks for families and employers for direct employment through the voucher for occasional work<sup>4</sup>. However in this expansion (see Fig. 3), domestic employment remains lower compared to other low-end service sectors such as trade, tourism and other service activities. The number of regular workers

<sup>4</sup> In 2015 the maximum remuneration for these workers was raised from 5,000 to 7,000 euros a year, including a 25% for social security contribution.

involved in domestic work through the voucher system rose to 14,912 in 2013, representing only 2.4% of total employment in supplementary work positions (614,991). Compared to the 898,429 domestic workers officially registered by the INPS data base in 2014 (692,640 of them of foreign origin)<sup>5</sup> is a very limited number.

The Italian situation appears similar to that of Germany, where direct employment in private households through mini-jobs still represents a small proportion of total employment in low-end services. However there are significant differences between these two countries. In Germany, the low growth of direct employment positions within the families, through mini-jobs, was offset by a strong increase of low-paid jobs in private providers, as a consequence of the process of formalisation that we described earlier. We also pointed out, in connection to this, that the reorganisation of the mini-jobs has been functional for the German LTC sector in order to keep down the labour costs in the formal services. In contrast to Germany, both direct employment in domestic work through voucher and dependent one in private provider, profit and not for profit, remain low in Italy. The increase in domestic employment is rather due to the periodic amnesties, without any connection with a devoted policy for personal and household services.

#### 4. A long turn to poor jobs in the care labour market? Active inclusion and minimum income schemes

As already said in the first sections, in most European countries the employment growth in LTC sector, although promising, suffers of a wide diffusion of low-paid and low qualified jobs. Moreover, increasing budget constraints are limiting the potential for job creation in public structures, where wages are higher than those offered by private providers, both profit and non-profit. In view of this, wage inequality and low-paid jobs seem to be a necessary condition for the expansion of the private employment in LTC sector. Indeed, this seems to be the direction taken by the reforms introduced in the countries we have analysed here. We must also emphasise the

<sup>5</sup> Data from INPS – Osservatorio sul lavoro domestico.

fact that low-paid labour growth in personal and household services is strengthened and sometimes actually reproduced by minimum income schemes. In both Germany and France there are large numbers of care workers who are covered by minimum income schemes, which in this case works as an in-work benefit to foster labour market participation.

In its current configuration, the German minimum income scheme (as modified in 2005 by the Hartz IV reform) is the outcome of combining two previous systems: the system of unemployment benefits financed through taxation (*Arbeitslosen-bilfe*) and the social assistance provided by local authorities (*Sozialhilfe*). The new flat rate and means-tested benefit, set at a level similar to that of the old social assistance benefits (approximately 382 euros a month in 2013 for a single individual, plus a series of housing, child care and healthcare benefits), was introduced so as to foster activation policies for the unemployed, especially those who had been receiving unemployment benefits for a long period. This benefit has been a crucial component of the overall Hartz reform process, aimed at reducing passive benefits both in the size of payments and the length of the programmes, and boosting the obligation to work, even in low-paid jobs (Baccaro and Benassi 2014). In terms of earned income, the unemployment benefit II can also be used to accumulate earnings from a regular job in the labour market or from the first pillar of the unemployment benefit system. As pointed out by Alber and Heisig (2011), before the Hartz IV reforms approximately 150,000 people were registered as receiving minimum income benefits in addition to holding regular jobs. From 2005 to 2010 this number rose to 1.4 million (29% of all unemployment II beneficiaries) (*ibid*). Given the large number of care workers who are eligible to access minimum income benefits, this emergent connection between low-paid jobs and minimum income support can be considered an integral part of the job creation strategies that have been pursued to boost formal employment in the care sector.

As the data reported by the trade union «ver.di»<sup>6</sup>, a full 72% of care workers earn such low wages that they are eligible to access the minimum income scheme (*Arbeitslosengeld II*).

<sup>6</sup> ver.di (*Vereinte Dienstleistungsgewerkschaft*) is a services German union. It should be count 2.2 million members.

These data help to give a sense to the emerging connection in Germany between low-wage service jobs in the care sector and minimum wage schemes. It might be argued that this rise in employment is the result of specific policy shift affecting other low-end services such as retail, accommodation and food services through the creation of mini-jobs and atypical contracts (Bosch and Weinkopf 2008; Palier and Thelen 2010; Eichhorst and Marx 2012). As these authors have shown, the increase of labour market participation in low-end services has contributed to keeping down labour costs, thus enhancing the competitiveness of Germany's core industrial sectors. At the same time, however, this expansion produced an increased risk of poverty both among temporary workers and the unemployed in particular (see Fig. 4).

The rationalisation carried out as part of the Hartz IV reforms has had a significant impact on this situation. This rationalisation has led to a lower total expenditure while covering a larger number of beneficiaries receiving minimum income support. Overall spending on minimum income benefit was 14.7 billion euros in 2014 (0.2% of the GDP), however with a very high number of beneficiaries: 4.4 million<sup>7</sup>, almost double the number found in France – 2.3 million in 2013<sup>8</sup> – where, by contrast, the expenditure is higher. Of the approximately 8.3 billion allocated to the RSA (*Revenue Solidarité Active*), the total number of anti-poverty programmes – including the *Allocation de Solidarité Spécifique* (ASS), a welfare benefit paid to unemployed individuals who are no longer covered by the social insurance system but which is distinct from RSA – cost the state 21 billion euros in 2012, representing 1% of the GDP (Drees 2014).

What do these data indicate about the intersection between minimum wage benefits and the care labour market? In addition to Germany, France also has a large number of RSA beneficiaries employed in low-wage jobs and the personal care market. According to a 2012 report by the French Ministry of Labour, 24% of RSA beneficiaries work in the personal care market. This percentage is twice the total incidence of these jobs in the labour market (about 10%). Furthermore, even in

<sup>7</sup> Data from the Federal Health Monitoring database: [https://www.gbe-bund.de/gbe10/pkg\\_isgbe5.prc\\_isgbe](https://www.gbe-bund.de/gbe10/pkg_isgbe5.prc_isgbe).

<sup>8</sup> Data from INSEE 2013 – *Estimations de population*.

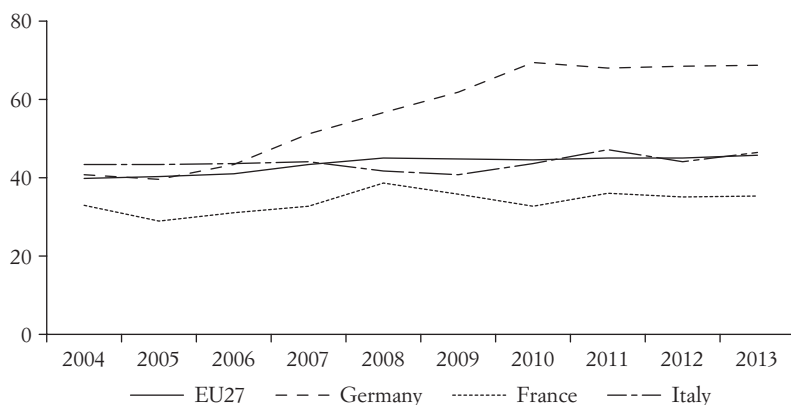
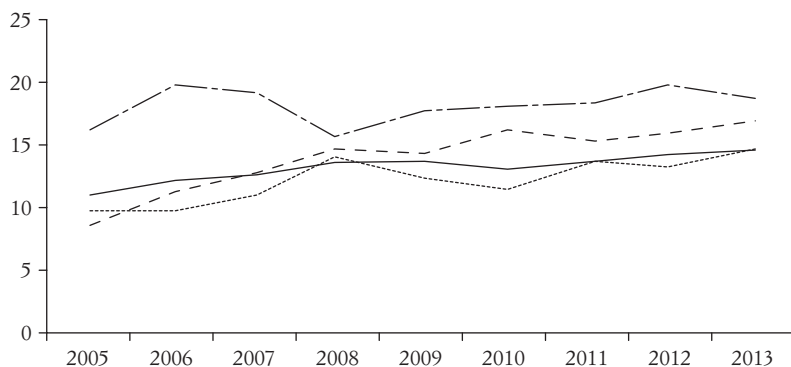


FIG. 4. Poverty risk for temporary workers and unemployed persons aged 15-64 (poverty risk threshold: 60% of the equivalent national average for disposable income), 2004-2012.

Source: Eurostat – Eusilc database.

France activation conditionalities have been made more strict than in past, especially for RSA that works as an in-work benefit (Beraud and Eydoux 2009; Ciarini 2011). In fact, it provides additional revenue for low-income working families through the «activity RSA». However, the level of spending on antipoverty schemes is much higher in France than in Germany. It is no coincidence that the risk of poverty after social interventions (see Fig. 5) is much lower in France, not only with respect to Italy (which is virtually missing a minimum

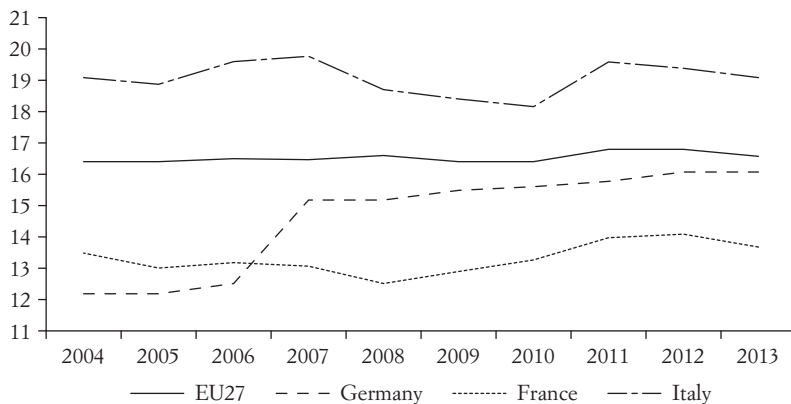


FIG. 5. People at risk of poverty after social transfers, % of total population, 2004-2013.

Source: Eurostat – Eusilc database.

income scheme), but also compared to Germany, coinciding exactly with the Hartz IV reform. As can be seen in the same chart figure, in this period there was a real reversal of positions between France and Germany, which in a few years reached high participation rates in the labour market, albeit with an increase of inequalities and the risk of poverty due to welfare cuts.

As a matter of fact also the French care labour market is affected by the presence of a fairly large share of low-paid and low qualified workers. Here, however, the interaction between employment and social policies, included those against poverty, is substantially different. Firstly, we should emphasise the fact that, in contrast to Germany, the French model of low wage jobs remains counterbalanced by a higher level of social spending on minimum income policies, with direct effects on the (lower) share of population at risk of poverty. Secondly, the wide range of vouchers and tax and social security credits for families are strictly interconnected with policies aimed at creating regular employment among low skilled workers and previous recipients of welfare benefits. In Germany this integration is much less consolidated, although there are multiple activation schemes associated with minimum income benefit, including a subsidised work programme in public or non-profit organisations, such as the



*Ein-Euro-Jobs* that was introduced for unemployment benefit II recipients as part of the Hartz reform IV in 2005. As Wolff and Stephan (2013) have noted, participants in this mandatory programme have access to a workfare scheme that offers employment opportunities in public or non-profit organisations, on the condition that they do not perform tasks carried out by regularly employed workers so as to avoid replacing the regular work with a subsidised work. In this case, when employers receive a monthly payment to cover the programme costs, participants receive the welfare benefits plus one to two euros per hour worked. The total amount of money they receive has to be below regular wage agreements, as the schemes are financed by the welfare system. There are also other subsidised work programmes in Germany aimed at providing incentives to employers for the employment of highly disadvantaged and unskilled long-term welfare recipients. These programmes, including the recent *Förderung von Arbeitsverhältnissen* established in 2012, do not involve job placement exclusively in the public and non-profit sector. As for the *Ein-Euro-Jobs* programme, the number of beneficiaries fell from 603 thousand to 343 thousand between 2005 and 2010, with a peak of 796 thousand in 2006. Spending for this programme was reduced by more than half between 2005 and 2012: from 895 million to 358 million euros (*ibid.*).

We must actually say that, in Germany, the presence of a minimum income scheme works as an income complement for low-paid workers, who would otherwise be confined in a condition of strong marginalisation. In this perspective, the Italian situation is even more critical, because of the chronic weakness of the anti-poverty measures (Morlicchio 2012; Saraceno 2014), absolutely distant both in terms of cost and coverage from national cases analysed here. After the end of the minimum income scheme experimented in early 2000s, two passive and charitable social card were introduced. Only in 2011 a more universalistic and service-oriented version were introduced, with the aim of providing a mix of cash transfers and social services through local partnership between local administrations and third sector organizations (Madama *et al.* 2014). In 2013 the experimentation of the new social card started in the 12 major Italian cities. From 2014 it has been extended to all Southern regions. The size of the budget remains small (50

million to which 127 were added in 2015), extremely far from the European average. According to the data of the first experiment (Ministry of Labour and Social Policy 2014) in the cities involved, compared with about 6,500 families involved, there were almost 27,000 people benefiting from the measure. A number too small to be able to talk of an effective national minimum income scheme. Moreover, a remarkable critique of the Italian anti-poverty interventions concerns the wide differentiation among Italian regions and municipalities (Gambardella *et al.* 2013; Saraceno 2014). In the absence of a national anti-poverty policy, it is important to note that the situation for the care workers, most of whom are migrants and often without a regular contract, is doubly disadvantaged. On the one hand in the labour market and, on the other, with respect to the access to some kind of income support, essentially missing.

Recently, the Italian government has established a fund for the implementation of a national plan to contrast poverty for families with children, with a budget of 600 million euros in 2016 and of 1 billion euros in 2017. The new fund is part of a bill, currently under discussion, which delegates the government to introduce national measures in order to combat poverty and to rationalise the various means-tested welfare measures financed through the social security contribution, such as the social allowance for poor people older than 66 (social allowance), the pension supplement and the survivor pension benefits. Since these measures are still under discussion it is not possible to give an accurate assessment.

##### 5. Conclusion: A downward pressure towards the classic trade-off between employment growth and low wages?

In this article we have argued that the growing demand for LTC services is an opportunity for the creation of new jobs. However, despite employment growth and promising performances, these services are facing several challenges. In particular, these challenges relate to the problem of the trade-off between employment growth and low-paid jobs, given by the labour-intensive nature of these services and the increasing budget constraints that prevent increases in public employment. During this analysis, we have shown that the answer to the problem of «poor» and unskilled labour in LTC has been

dealt with according to different strategies among the three countries analysed here.

In Germany, the changes we can observe have displayed a tendency toward formalisation of employment for several years now, with an increase in low-paid formal jobs accompanied by a decrease in family caregiving that had characterised the employment mix when the LTCI were first being implemented. In more recent years, private employment has been on the rise as part of a strategy deliberately aimed at expanding services by containing labour costs. This emergent mix appear to reveal a moving away from the «subsidiary» tradition toward the typical trajectories of Anglo-Saxon countries, which supported formal employment by lowering the labour cost of formal care. Under this point of view, the minimum income scheme revisited by the Hartz IV reform integrates the income for low-paid care workers, which represent a large part of the employed in the LTC sector. As we pointed out, a full 72% of care workers earn such low wages that they are eligible to access the minimum income scheme.

The French case is partially divergent from the strategy pursued by the German social agenda. LTC reforms introduced in France have favoured the development of a formal care market based on earmarked cash benefits (extensively publicly co-financed) through a comprehensive system for creating regular employment at home. It must be noted that low-paid jobs are expanding in the French LCT sector as well, but in this case the expansion takes place through reforms with a different strategic orientation. In contrast to Germany, the French model is characterised by a higher level of public LTC spending in relation to the GDP (2.16% versus 1.43%) and a low level of private out-of-pocket expenditure (0.6% versus 32.9%). Secondly, French social spending on minimum income schemes remains higher, with direct effects on the (minor) share of the care workforce at risk of poverty. This element is not marginal in relation to our analysis. As we have shown, the connection between low-wage service jobs and minimum wage schemes is a substantial component of employment models for the LTC sector. In both Germany and France a large number of care workers are covered by minimum wage policies, which in this case function as an in-work benefit. In contrast to Germany, the French model of low-paid jobs in the care sector remains counterbalanced

by more significant policy tools for tackling poverty and social exclusion, even at the price of a higher level of public expenditure. Problems do arise in relation to the long-term sustainability of this level of social spending, however, given the budget constraints imposed by the current fiscal consolidation, especially those associated with austerity measures. From the cost point of view, it is the «German» model that appears to be more compatible with low levels of public spending imposed by fiscal consolidation reforms.

In this respect the Italian situation is more critical because it lacks a dedicated national minimum income scheme aimed at counterbalancing the poverty risk among low-paid workers, especially those, primarily migrants, who are employed at home with little or no contractual protection.

Given the current state of public finances, the margins for reforms aimed at strengthening the services system are quite restricted. It is unlikely that this kind of reform would end up being feasible, especially in countries burdened with higher national debt (including Italy and all the other Mediterranean countries) due to the social spending limits and cuts introduced by austerity policies. As Saraceno (2013) has emphasised, these countries are not only hobbled by the weakness of the reforms attempted in past years, but they also face a jarring clash between the objectives of the European social agenda and the budget restrictions imposed by these same European institutions.

This divergence problem among European countries appears to be even more complicated and contradictory in light of the analysis outlined here. From this point of view, the scenario that might potentially emerge is not so much a divergence between strong and weak countries (those most heavily indebted and therefore unable to invest), but rather a downward pressure pushing all countries toward the classic trade-off between employment growth on the one hand and low wages and low qualified jobs on the other, as tends to show the German model.

Given continuing budget constraints and pressure to reduce social spending, today more than ever a downward convergence appears to be a realistic possibility. This is where the crux of the matter lies. While there are already some employment areas of the care and personal assistance sector that are expanding, countries should address the issue of the

quality of work and the level of social spending necessary to avoid the emergence of low wage circuits. Jobs in this sector are undoubtedly structurally exposed to this phenomenon. The solution does not, however, appear to lie in curbing social spending, as it has negative consequences on skills and working conditions for workers already disadvantaged in the labour market. Rather, such moves represent a part of this problem, one that is actually being exacerbated by national social agendas, even in those countries that would have a some manoeuvring space in promoting more investments in LTC services.

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**Policies to Boost Services and Regular Employment in the Long Term Care Sector. More and Worse Jobs**

*Summary:* In recent years, employment in long-term care services has increased in all European countries. The potential of these services in terms of job creation has been widely recognised by European institutions. However, this employment growth, although promising, suffers of a wide diffusion of low-paid and low qualified jobs. Moreover, increasing budget constraints are limiting the potential for job creation in public structures, where wages are higher than those offered by private providers, both profit and non-profit. The aim of this paper is to address these issues by considering the emergent relationships between LTC services and policies to boost employment in the personal and household services in Germany, France and Italy. The comparative analysis we propose will try to answer to the following questions: to what extent have LTC reforms contributed to creating new jobs? What strategies have each of the three countries implemented in order to boost direct and indirect job creation? Is there evidence of a discrepancy between «good» and «bad» jobs as a consequence of these reforms? What should we expect in terms of future trends? To what extent are these trends in line with the most recent changes imposed by fiscal constraints at the European level? Finally, to what extent are structural divergences among European countries reproduced and sustained by the national social agendas?

JEL Classification: I31 - General Welfare; I38 - Government Policy; H75 - Provision and Effects of Welfare Programs.

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