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RESEARCH ARTICLE

The social investment approach as a field of job creation. From the 'recalibration' to a resurgent trade-off between employment growth and low wage (white) jobs. A comparison between Germany and Italy

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ABSTRACT

The social investment approach emerged as a new welfare paradigm, aimed at reconciling the traditional functions of the welfare supply with a productive social agenda, designed at preparing people to confront the 'new social risks', whether they be related to the problem of balancing paid work and family responsibilities, upgrading the skills, preventing inequalities and promoting the availability of in-kind services. In order to achieve these objectives, especially those related to care needs and work-life balance, the adoption of social investment-based strategies necessarily implies an expansion of the jobs related to health and social care services. In more recent years, many studies have analysed the limitations of the social investment policies because of their different redistributive impacts on social groups. Several studies have found a higher use of these policies for high-income families. Another source of criticism on social investment is that spending on these policies would seem to crowd out more traditional passive social expenditures. In this article, we examine another question related to the widespread of this approach: what are the effects of the social investment policies in terms of direct job creation? In fact, one of the more controversial issues, related to social investment policies, is their direct contribution to the labour market in terms of both quantity and quality of work within welfare services. The article analyses these issues focusing on Germany and Italy, two countries that represent not only two different care regimes but also two distinct models regarding job creation strategies in the care sector. In doing so, particular attention will be paid to long-term care policies, as they represent one of the pivotal areas of the social investment approach, both in terms of social services, to address new social risks, and new jobs related to welfare services

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1. The social investment approach between raising budget constraints and new social needs

During the last few years, the social investment approach has gained a central role in welfare reforms provided by European countries. This approach, formally recognised by the

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European institutions with the launch of the *Social Investment Package for Growth and Social Cohesion* in 2013, was based on the idea of a possible virtuous combination between a 'productivist' view of social intervention and a significant investment in welfare services, and life-long learning designed to better respond to the societal challenges entailed by the transition to the service economy. According to many scholars (Esping-Andersen *et al.* 2002, Taylor-Gooby 2004, Bonoli 2005, Vandenbroucke, Hemerijck and Palier 2011, Bonoli 2012, Morel, Palier and Palme 2012, Hemerijck 2012), the social investment approach presupposes a step towards active measures aimed at preparing people to confront the 'new social risks', whether they be related to the problem of balancing paid work and family responsibilities, upgrading the skills, preventing inequalities and promoting the availability of in-kind services related to social assistance. In this emergent approach, health and social care services, as well as personal and household services,[1] have a crucial function as they contribute in both addressing new social needs and in creating new (white) jobs in a wide range of welfare services.[2] Although differences in national settings remain, the job creation potential of these services 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 the white jobs. In fact, as claimed by the European Commission, together with green jobs and the digital economy sector, these services have one of the highest growth potentials in the Union. However, the fiscal consolidations required by the structural reforms do not allow large margins of investment in favour of social services. Moreover, as many analyses have demonstrated (Simonazzi 2009, Colombo *et al.* 2011, Geerts 2011, Saraceno and Keck 2011, Eichhorst and Marx 2012, Farvaque 2013, Oecd 2013), the employment growth forecasted, although promising, is limited by structural characteristics affecting the quality of the jobs created, especially in personal and household services, with a high incidence of low-paid and low-qualified jobs, especially at home. Here the crux of the matter emerges. If the objective of mobilising the creation of new jobs through investments in the wide range of health, personal and household services is taken on, then the core relative to the quality of work needs to be examined. How can one create jobs in the service sector, whether they are related to elderly care, long-term care or childcare, given their structural low-unit productivity or the increasing costs that certain kinds of services require? We are not in the presence of industrial contexts in which the expansion of productivity is driven by machinery and technology investments. We are in a field that coexists with a structurally lower labour productivity (Esping-Andersen *et al.* 2002). As argued by Iversen and Wren (1998; see also Esping-Andersen *et al.* 2002), wage inequality is a necessary condition for the expansion of private employment in these labour-intensive service sectors, as productivity increases are minor compared to the manufacturing sectors. One has to consider that productivity in some of these sectors, especially long-term care and integrated home care services for the frail elderly, may be positively affected by the use of new technologies, whether they be related to the strengthening of those functions, not implying direct hands-on care (such as for instance information, counselling, supervision, networking with other patients/careers), or the wide development of health care technologies. Medical devices, telehealth, telemedicine and assistive technologies at home can both contribute to qualify employment and labour productivities in a wide range of health and social care activities, as they are a useful support, as much for the care professionals in the homes as for the users and caregivers involved in assistance. However, the wide development of these devices is limited to a specific segment of the welfare supply, in particular in the field of health care. Besides these services, a wide range of low-paid and low-productive care services remains in the field of white jobs, especially personal and household services. Within this framework, the aim of this article is to analyse the emergent relationships between social investment-based policies and the employment growth in welfare services. The objective is to highlight the critical factors, which insist on this relationship as a consequence of both the structural limits that curb labour productivity and of the reforms promoted in more recent years. The article is organised as follows. In the first part, we proceed to compare the employment models that are emerging from the expansion of the white jobs in Europe. In the second part, we illustrate how labour market and social assistance reforms are contributing to reinforce a trade-off between employment growth and low paid jobs in the care labour market. The article analyses these issues focusing on Germany and Italy, two countries which represent not only two different care regimes (Jensen and Pfau-Effinger 2005, Bettio, Simonazzi and Villa 2006, Naldini 2006, Saraceno and Keck 2011), but also two distinct models regarding job creation strategies in the care sector. In doing so, particular attention will be paid to long-term care policies, as they represent one of the pivotal areas of the social investment approach, both in terms of social services, to address new social risks, and new jobs related to welfare services.

2. The expansion of the white jobs in the European welfare regimes

Despite the crisis, employment in white jobs has been constantly rising in the last years. Between 2008 and 2013 (during the peak of the crisis), while the manufacturing sectors lost 4.5 million jobs (EU-15), health and social care activities (the white jobs) enjoyed an increase of more than 2 million positions (+9%, see more in detail Figure 1). Even if they still represent a small portion of the total employment, their share is constantly rising as a consequence of the aging population, reaching a total amount of 25 million jobs.[3] There are, however, large differences between different European countries, as can be seen from the following figures.

The quantity and quality of the jobs created in the health and social care services is dependent on several factors, the main one being the composition of employment in the health care sector – whether it be set in the universalist sense (as in Italy, the United Kingdom, Sweden) or through compulsory social insurance (such as in France and

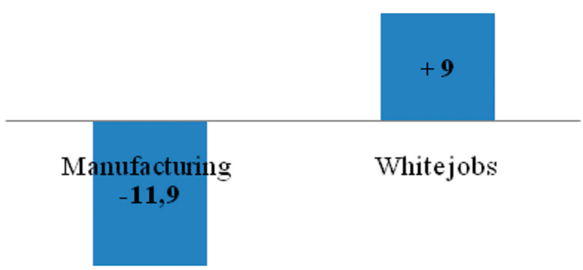

Figure 1. The employment trends in the manufacturing sector and the health and social services sector (white jobs) in the EU - 15, Years 2008–2013, (%).

Germany) – and in personal and household services. This combination of factors is crucial in order to identify the prevailing character of employment patterns. At the same time, it is important to consider the relationship that binds together the various social actors involved in the provision of social benefits, in particular for what concerns the social care sector. As demonstrated by the debate on care regimes (Anttonen and Sipila 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 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 cluster), countries where public provision is limited compared to the large incidence of the formal for profit supply, both domiciliary and residential (the United Kingdom) and countries such as Italy and Spain, where formal supply, both public and private, is historically lower compared to the higher incidence of informal work within the family. Finally, there are countries such as France and, in a different way, Germany, in which the increase of social provision was driven in recent years 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).

With these clarifications in mind, we can look at the distribution of employment in different service sectors related to white jobs (see Figure 2 and Table 1). The first fact that needs to be highlighted is that the distance between the Scandinavian countries, including France, and the Mediterranean ones does not concern only the total amount of formal employment but also its distribution among employees in the areas of residential, domiciliary and domestic service activities. Italy stands out among the countries considered here because of its great growth of employment in domestic services, which almost doubled between 2008 and 2014 (+ 86.4%). Conversely, formal employment in residential and domiciliary services continues to be low in Italy, despite the growth recorded between 2008 and 2014. Rather, the employment in the health sector is in line with the European average, obviously because of the presence of a well consolidated universalistic health care sector over the chronic weakness of social assistance, which is the real weak pillar of the Italian welfare system, both in terms of jobs created and in terms of social benefits. As can

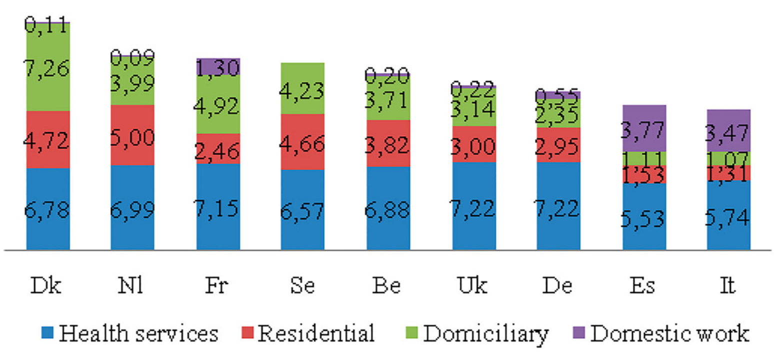

Figure 2. The employment mix by detailed economic activities related to white jobs in some European countries, (NACE Rev. 2 two digit level), 2013, (%).

be seen from Figure 2 and from Table 1, despite the increase (+24% in residential care activities; +18.7% in social work activities without accommodation), employment in in-kind services is still low compared with other countries, such as France and Belgium that, differently from Italy, see a decrease of employment in domestic services (– 43.2% in France) and a substantial increase in employment in in-kind services, both residential and domiciliary (in France + 24.4 Residential care activities and + 32.1 in social work activities without accommodation). Germany is an interesting case, as it witnessed an expansion of both formal in-kind services and of domestic activities at home (+24.3 in social work activities without accommodation, + 20.4 in residential services; + 5.1 in Activities of households as employers of domestic personnel). Within this framework, it is important to highlight that formal supply still influences the extent of the family care-giving. As a matter of fact, the low rate of the Italian formal employment still finds a balance in strong family involvement in care activities, with severe penalties, however, on the level of participation in the labour market, especially for women. In 2014, excluding the negative effects from the crisis, the gap with the European average at 28 is still in the order of 11 percentage points (see Figures 3 and 4). The Italian rate of female participation in the labour market (15–64 age group) is still at 46.8%, a far cry from countries like Sweden (73.1%), Germany (69.5%), United Kingdom (67.1%) and France (60.4%). It is surprising that the Italian data are also less than Spain's (51.2%), which similarly has a very high level of family involvement in care activities.

In contrast to Italy, other European countries experienced major changes in the composition of formal employment in the care sector, and in the balance between formal and informal care activities. This is the case of Germany. In this country formal employment in the services sector has been increasing concurrently, as a result of reforms that have expanded the area of formal employment in personal and household services. This represents a novelty if we consider that this country, historically, has neither followed the trajectories of Anglo-Saxon countries, which were the first to expand 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. In contrast to these countries, Germany – and also France – traditionally followed the path of the so called 'welfare without work' (Pierson 2001, Esping-Andersen *et al.* 2002, Hemerijck 2002), that is to say a welfare regime characterised by a less extensive development of

Table 1. The employment trends by detailed economic activities related to white jobs in some European countries, (NACE Rev. 2 two digit level), Years 2008–2013, (%).

	Human health activities	Residential care activities	Social work activities without accommodation	Activities of households as employers of domestic personnel
Belgium	8.6	33.8	10.9	−65.3
Denmark	2.2	−3.0	−1.2	
Germany	6.9	24.3	20.4	5.1
Spain	5.4	20.2	23.8	−11.9
France	10.1	24.4	32.1	−43.2
Italy	5.4	24.0	18.7	86.4
Netherlands	1.4	−10.5	−5.8	10.1*
Sweden	−2.9	−5.8	19.4	
United Kingdom	1.7	99.2	−7.8	−50.3

*2013–2014.
Data source: Eurostat – Labour Force Survey.

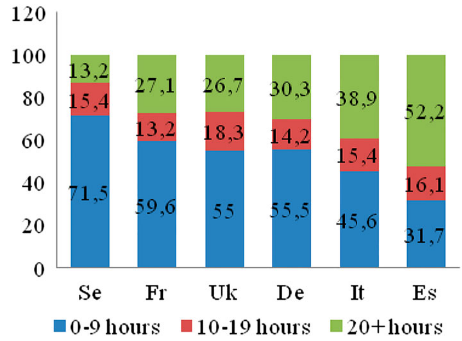

Figure 3. Hours a week dedicated to the informal care by family caregivers,(%), Last year's available.

formal employment in the care sector, and a high incidence of both family caregiving and informal supply. Indeed, only in recent years Germany stimulated the creation of new jobs in the low-end sector, using a mix of formal jobs in private providers, both profit and non-profit, and in direct employment at home. The adoption of this kind of reforms affects the labour market, as they are strictly related to job creation strategies in personal and household services. It is interesting to note that, in order to stimulate the creation of regular jobs in the care sector, also the European institutions with the Employment Package of 2012 encouraged the adoption of voucher and cash for care schemes, in particular in the field of personal and household services. Essentially, vouchers and the introduction of quasi-markets contributed to expand regular employment in the personal and household services, also enabling users and families to choose between various alternatives of care, either formal or informal. The problem is that this development has actually promoted the growth in the number of jobs, but without an equal growth of qualifications for the employment created, often at lower wages or deprived of adequate skills. There is obviously an alternative: governments can choose to boost high wage employment through public jobs, such as in Scandinavia, but at the price of an increasing fiscal pressure. This option is currently under pressure in these countries. Countries such as

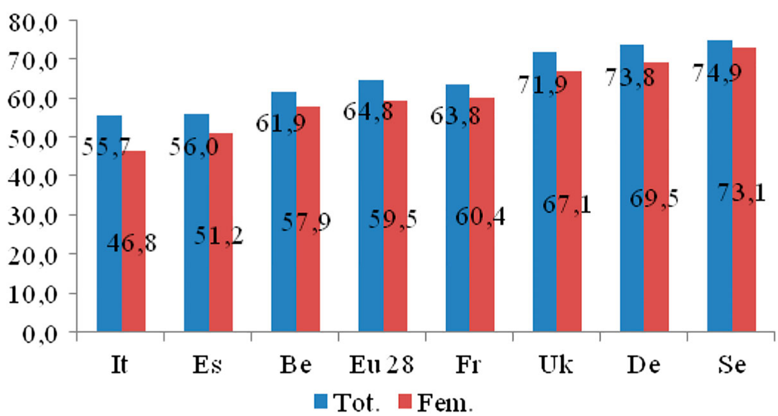

Figure 4. The female employment rate in some European countries, (%), 2014.
Data source: Eurostat – Labour Force Survey and Eu-Silc.

Sweden, but also Denmark, traditionally characterised by high rates of employment in in-kind services, have gone through a reduction of formal jobs in recent years, especially in residential and domiciliary services (see tab. 1). More in general, increasing budget constraints are limiting ,in most of Europe, the potential for job creation in public services, where wages are higher than those offered by private providers, both profit and non-profit. In the next section we will show how, and to what extent, these changes are producing a trade-off between the expansion of employment in the services sector and the establishment of a segment of low-wage jobs in Italy and Germany.

3. Job creation, labour market reforms and social policies in Italy and Germany

It has been widely documented in the literature on European welfare regime (Esping-Andersen 1990, Esping-Andersen *et al.* 2002, Pierson 2001, Hemerijck 2002) that Germany and Italy are, historically, countries characterised by a less extensive development of formal employment in the care sector (see also Bode and Chartrand 2011, Colombo *et al.* 2011). As previously observed only in recent years the care sector witnessed a substantial process of change, as a consequence of labour and welfare reforms aimed at, especially in Germany, expanding formal employment through cash for care schemes. The German strategy relied on reforms directed at reducing the cost of formal care. These changes are not to be attributed to more stringent constraints with respect to the fiscal constrictions imposed by the economic crisis. They are, rather, linked to a precise strategy of containment of labour costs, which favoured the use of low cost in-kind services. This takes place through a series of labour and welfare reforms that were implemented before the beginning of the crisis.

Let us look more deeply into the impact of welfare reforms in the field of long-term care from the point of view of the goals of the social investment approach. The German strategy to boost regular employment and expand the range of in-kind services relied on fiscal measures and reforms aimed at reducing the cost for formal care, both at home through mini-job positions and, above all, through low-wage-dependent employment in the formal care market. A very broad range of studies (Palier and Thelen 2010, Gualmini and Rizza 2011, Emmenegger *et al.* 2012, Farvaque 2013, Baccaro and Benassi 2014) have highlighted how the labour market reforms, between 2003 and 2005, played a pivotal role not only in the restructuring of the German welfare system for what concerns the social assistance and the income support in the event of loss of employment, but also in terms of direct job creation. Germany is, in fact, one of the few European countries that has seen increasing employment even during the years of crisis. This increase, however, came at a cost: a sharp increase in the differentials – in terms of wages, of contractual protections and welfare benefits – between core workers and the peripheral workers in the low end service sectors, forced into entering the labour market due to reduced unemployment benefits and the tightening of the conditionality linked to the use of such subsidies. The 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) was a key piece of this strategy, aimed at stimulating the employment at the periphery of the labour market. Although mini-jobs have been in place since the 1970s, as a secondary position for formalising second jobs or earning an income for domestic work carried out by family members, it is with the Hartz reforms that these low-wage jobs increased significantly, reaching 7.5 million positions in more recent years (63% occupied by women). In terms of job creation, mini-jobs extensively contributed to the increase of the labour market participation, especially in some service sectors like trade, food and beverage service activities, accommodation and other service activities. Conversely, direct employment in domestic services, although on the rise (240.000 in more recent years), remained limited compared to the growing number of dependent employees in private, both profit and non-profit, providers (Angermann and Eichhorst 2012). According to data provided by Bode and Chartrand (2011), dependent workers cover 40% of the residential long-term care supply and 62% of the home care one. The German care system, especially in the field of long-term care, is undergoing a process of formalisation. This fact represents a novelty if we consider that, in the beginning, the new compulsory long-term care insurance – introduced in 1994 – mainly depended upon the informal care provided by relatives and the irregularly employed care workers at home (Simonazzi 2009, Bettio and Mazzotta 2011, Colombo *et al.* 2011, Rothgang 2011, Da Roit and Weicht 2013). In more recent years, this balance has been changing and the latest employment trends show this clearly. According to estimates provided by Lamura (Lamura *et al.* 2013), between 2000 and 2010 the number of dependent workers hired by private providers increased by 30% for residential care and by 50% for home care. In relation to this problem, certain policy decisions aimed at curbing labour cost have to be taken into account, as they contribute to reinforce this trend towards low wage jobs in the care sector. In particular the fact that in introducing long-term insurance, policy makers have chosen to fix salary levels at 10% below those of the public sector (Colombo *et al.* 2011).

In this context, it has to be emphasised that low-paid labour growth in personal and household services is reproduced by minimum income schemes, as modified in 2005 by the Hartz IV reform. In its current configuration, the German minimum income scheme is a crucial component of the overall Hartz reform process, as it aims at reducing passive benefits and boosting the obligation to work, even in low-paid jobs (Baccaro and Benassi 2014). In Germany 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. As the data reported by the trade union 'Ver.Di',[4] a full 72% of care workers earn such low wages that they are eligible to access the minimum income scheme (*Arbeitslosengeld II*). 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, which have been pursued to boost formal employment in the care sector.

Compared to Germany, the Italian situation presents some similarities and huge differences. The Italian labour market has been affected by a number of reforms, in particular for what concerns the increased margins of flexibility of labour relations. From the reforms of the late nineties, passing through the 30/2000 law and arriving to the current Jobs Act, the margins of flexibility of entrances and exits have increased considerably, however, they have lacked an organic reform of social safety nets. Even after the approval of the Jobs Act, which included a planned increase of the potential beneficiaries of passive protections, a large array of workers remain excluded from the social safety nets, especially among self-employed workers and parasubordinates (that is to say economically dependent self-employed workers[5]). To all this we need to add the fact that, in contrast to most European countries, Italy has not established a scheme of guaranteed minimum income. The Italian situation is even more critical compared to that of other European countries, including Germany, where the new minimum income scheme works as an income complement for low-paid workers, who would otherwise be confined in a condition of strong marginalisation. In Italy, the last legislative intervention to contrast poverty was the extension of the trial for the new social card in the 12 major Italian cities. The social card is a debit card launched in 2008 as a measure aimed at fighting poverty for people over 65 and poor families with underage children. Given the very high eligibility criteria (an income below 6000 euro per year) and the absence of in-kind measures, the first experimentation has produced very few concrete results. As outlined by Ascoli and Pavolini (2015) only 17% of those in absolute poverty were entailed to the social card. In 2012 a new social card has been introduced with substantial changes in the design of the measure, with more potential claimants covered and a more stringent nexus between cash and in-kind services for social inclusion. However, the size of the budget remained very small (50 million to which 127 were added in 2015), extremely far from the European schemes. According to the data of the first experimentation in the cities involved, compared with about 6500 families involved, there were almost 27,000 people benefiting from the measure (Ministero del Lavoro e delle Politiche Sociali 2014). A number too small to be able to talk of an effective national minimum income scheme (see also Morlicchio 2012, Saraceno 2014).

The chronic weakness of the measures to combat poverty is closely related to the lack of a structural reform agenda in the field of social assistance policies. Unlike many other European countries, including Germany, Italy has not promoted these kind of reforms, neither changing the traditional cash for care schemes, nor a national framework for earmarked cash benefits related to personal and household services. From this point of view, Italy is a country that still tolerates irregular employment in many areas of the welfare system, with only occasional reduction of irregular workers through amnesties by the government. Between 2001 and 2012 three amnesties were promoted in order to allow employers to regularise their employees without residence permit. These amnesties – the last one was in 2012 – have produced the large increases of regular work in domestic services, where the incidence of irregular job were very high in the past (Da Roit *et al.* 2013, Da Roit and Weicht 2013). However, they have not yet contributed to the consolidation of a specific job creation policy in personal and household services (Farvaque 2013). The introduction of voucher for occasional work in 2008 has not been tailored for a specific sector (personal and social care for instance). Rather it has been extended to a wide range of low-end services, from domestic work to trade and agriculture to tourism, especially between 2012 and 2013 when the use of the voucher was extended too many service activities. The Italian voucher system has 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. Actually, the sharp increase in domestic work is mainly due to the amnesties that have been pursued in recent years. This fact is also demonstrated by the limited number of regular workers involved in domestic employment through the voucher system for occasional work. In fact, the number of regular workers rose to 23,169 in 2014, representing only 2.3% of total employment in supplementary work positions (1.016,703). Compared to the 898,429 domestic workers officially registered by the Inps data base in 2014 (692.640 of them of foreign origin),[6] it is a very limited number (Inps 2015).

Within this context, we can better understand some similarities and differences between Germany and Italy. In terms of general impact on the labour market, the Italian voucher for occasional work replicates the model of the German mini-jobs. Both measures have been introduced with the aim of expanding regular – low paid – employment in low-end services. Secondly, as in Germany, direct employment in private households represents a small portion of the total employment in low end services. As previously observed out of 7.5 million German minijobs, only 240 thousand are in private households, a very limited number compared to other low end services. The same can be seen in Italy, where domestic employment through vouchers represents only 2.4% of total employment in supplementary work positions. In this context, an important difference between Germany and Italy regards the expansion of formal employment in the care sector. In contrast to Germany, in Italy dependent employment in private providers, both profit and non-profit, remains very low. The incidence of undeclared labour, rather, continues to be very high. Estimates of the incidence of irregular employment fluctuate widely (Simonazzi and Picchi 2013). 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. This problem of black market labour concerns, in particular, the long-term care sector, where an institution such as the Indennità di Accompagnamento (attendance allowance) actually fuels undeclared work. Given the low levels of coverage of in kind services, the Indennità di accompagnamento constitutes the main long-term care allowance. It makes up 44% of all public spending for long-term care, compared to the 10% covered by social expenditure from local authorities and a remaining 46% by the national health system (Ministero dell'Economia e delle Finanze 2014). In 2013, the beneficiaries totalled at 1.8 million, at a cost of approximately 12.9 billion euros: 0.8% of the total GDP (*ibid.*). Within this framework, the most critical concern is how this universal non-means-tested benefit works. The fact is that the 'Indennità di accompagnamento' is an isolated measure that 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 creating new regular jobs, both at home or in private providers (Simonazzi 2009, Da Roit and Weicht 2013, Farvaque 2013, Pavolini and Ranci 2015). In terms of reforms Italy has different margins of intervention. In particular, these margins concern the functioning of the indennità di accompagnamento, which could be changed to a voucher or a 'European' cash for care scheme so as to offer several alternatives, in cash and in-kind, and to regularise home care employment. Whether, and to what extent, the Italian model will be able to converge toward the creation of a formal regular market is an open question, which depends not only on the policy agenda but also on the stringent budget constraints brought about by both the European institutions and the national social agendas.

4. Conclusions. A long run towards a work-first social investment agenda?

The social investment approach emerged as a new welfare paradigm, aimed at recombining the traditional functions of the welfare supply with a more active and productive policy agenda, directed at both fostering the labour market participation and at addressing new social risks entailed by the transition to a service economy. In more recent years, many studies focused on this approach, examining various issues related to the redistributive impact among social groups and recipients, as well as the relationships between active and passive measures, or between cash and in-kind social welfare benefits. Few studies have examined another question related to the widespread of the social investment: what are the effects of the social investment policies, in terms of direct job creation, as a result of the expansion of the health and social care services? As outlined at the beginning of this article, the adoption of a social investment-based strategy necessarily implies an expansion of the jobs in the health and the social care sectors. Data on employment trends highlight the relevance of this phenomenon, even in the years of the crisis. Although differences in national settings remain, the potential of these services in terms of job creation has also been widely recognised by European institutions. As seen in the first section, the *Employment Package* and the *Social investment Package*, promoted by the European Commission in 2012 and 2013, paid a special attention to the employment potential of these jobs. Here the crucial issues we examined in this article emerge. How are European countries boosting employment in these service sectors given their structural low unit productivity and the raising budget constraints entailed by fiscal consolidation reforms? As highlighted in this paper, in order to boost regular employment in personal and household services, the European Institutions encouraged the adoption of reforms aimed at reducing the price of the social services, through a wide range of tools such as vouchers, subsidies to households, simplified procedures to employ workers at home, that enable users to choose between various alternatives of care, either formal or informal. The problem is that this development has actually promoted the growth in the number of low-wage jobs. Given the current state of public finances, what emerges in this framework is a downward pressure pushing all countries towards the classic trade-off between employment growth on the one hand, and low wages and low qualified jobs on the other. Indeed, this seems to be the direction taken by the reforms introduced in Germany, where the social agenda deliberately expanded in-kind welfare services, through the expansion of low-paid employment in personal and household services, including long-term care. In this context, it is important to outline how the German social expenditure remained low in the more recent years. As can be seen in Figure 5, from the percentage of the GPD, the net increase of the public social expenditure in Germany between 2007 and 2014 was of the lowest among European countries, just 0.99%. As for long-term care expenditure, which we examined more in detail in the previous sections, although Germany was among the first European countries (1994) to adopt a policy for long-term care, spending continues to be low, one of the lowest in Europe in relation to the GPD (see Figure 6). According to OECD (2011), between 2000 and 2009 Germany showed one of the lowest annual growth rates in public expenditure on long-term care, just 1%. It is a very limited expansion compared to other countries such as France (+ 6%), Belgium (+ 6.4), Netherlands (+ 7.3%) and also Italy (+ 3.87). In relation to this low level of public expenditure, the coverage rate for residential and domiciliary services is comparatively high and rising, corresponding to a strategy aimed at expanding the formal welfare supply through a limited increase in public spending. This equilibrium has been achieved thanks to different reforms that affected both the labour market and the social care market, with the aim of expanding the area of low wage jobs in the care sector, both at home and in formal private providers. Italy has not yet introduced a comprehensive reform aimed at expanding regular employment in the care sector, neither reforming traditional cash for care schemes, such as the Indennità di accompagnamento, nor introducing a national framework for earmarked cash benefits.

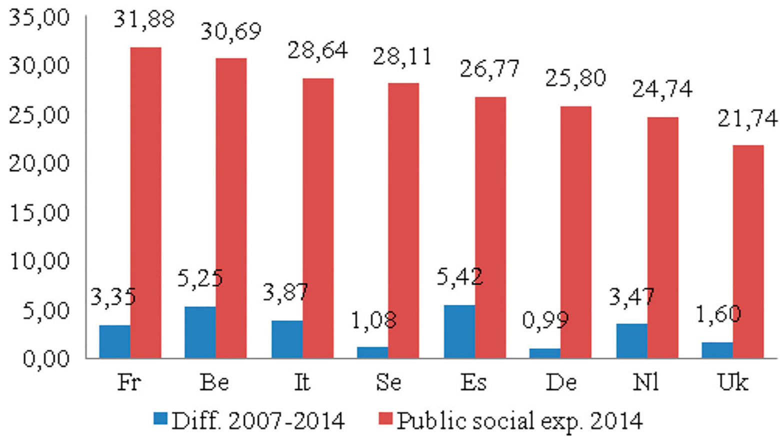

Figure 5. Public social expenditure in some European countries, Difference between 2007 and 2014 and Total 2014, (%).
Source: OECD Social Expenditure database.

However, it doesn't mean that Italy has not introduced any kind of innovation in the field of the care labour market. Given the high incidence of undeclared labour, without any means of monitoring the use of public resources provided by the Indennità di Accompagnamento, more relevant changes rely on supplementary work. The Italian voucher for occasional work, introduced in 2008, appears to have some features in common with the measures adopted in Germany as a consequence of the mini-jobs reforms. In both countries direct (regular) employment at home represents a small portion of the total employment in the long-term care sector. In contrast to Germany, Italy has not yet introduced a specific policy aimed at deliberately expanding formal employment, especially in domiciliary and residential services. It has also to be said that Italian long-term care expenditure is still higher compared to Germany (see Figure 6)

When it comes to reforms of long-term care, Italy has different margins of intervention regarding the concrete functioning of the Indennità di accompagnamento as a cash for care scheme aimed at promoting regular employment in the cfare labour market. However these margins are much more restricted in terms of sustainability of the social spending.

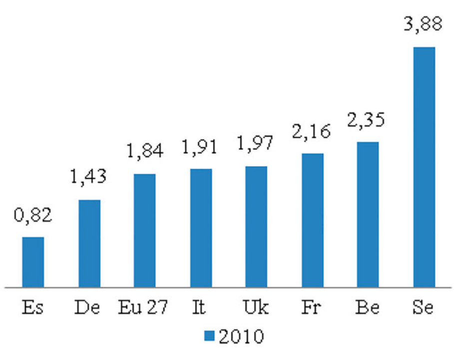

Figure 6. Public spending for long-term care in some European countries, (%), Year 2010.
Source: Eurostat database and OECD Health Data, Commission services (DG ECFIN).

Currently, the Italian expenditure on the GDP is rising and is already above the European average and Germany. Given the current state of public finances, the margins for the expansion of social expenditure are quite restricted. Rather, the scenario that could potentially emerge is a progressive 'austerity convergence' toward the trade-off between regular though poor jobs and an expansion of services, as the German case tends to suggest. The fiscal consolidations, required by the structural reforms, do not allow large margins of investment in favour of high-quality welfare services. It creates a contradiction between the goals set by the European Union social agenda – included those that explicitly refer to *Social investment* – and the budgetary constraints imposed by the EU institutions themselves (Saraceno 2013). Caught between the cuts in public spending and the advance of 'short-term-oriented measures,' the welfare reforms, even those inspired by *Social Investment*, run the risk of promoting just a minimal 'work first' approach towards the goals entailed by the social investment. It means a general tendency to favour the development of the formal services, be they related to long-term care or other personal and household service areas, through the expansion of low-paid jobs, structurally confined at the margin of the labour market.

Notes

1. According to Eurostat the definition 'personal and household services'(PHS) covers a broad range of activities that contribute to the well-being at home of families and individuals: child care (CC), long term care (LTC) for the elderly and for people with disabilities, cleaning, remedial classes, home repairs, gardening, ICT support.
2. According to the Europe 2020 strategy white jobs refer to employment in the health and social services sector. They include jobs in the health care sector as well as residential and domiciliary services.
3. Data source: Eurostat – Labour Force Survey
4. Ver.Di (*Vereinte Dienstleistungsgewerkschaft*) is a services German union. It should be count 2.2 million members
5. According to EU definitions (European Parliament 2013; see also Eiro 2002), economically dependent self-employed workers are workers who are formally self-employed but depend on a single employer for their income. The replacement of directly employed staff with workers who are legally self-employed but in fact dependent on the employer is a phenomenon common to other European countries. However, its extent in Europe is rather limited compared to Italy, where these contracts accounted until recent years for more than 6% of the total employment (Isfol 2012; Reyneri and Pintaldi 2013). Actually the widespread diffusion of this kind of workers is what makes Italy a *sui generis* case compared to other European countries. We are dealing with a group of autonomous workers – largely young and employed in the service economy – only formally independent but factually dependant in every respect, excluded from the basic system of welfare protection, especially with regard to passive measures aimed at prevent the risk of poverty.
6. Data from Inps – Osservatorio sul lavoro domestico

Disclosure statement

No potential conflict of interest was reported by the author.

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