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*FISCAL POLICIES TO DEVELOP
HOUSEHOLD SERVICES AND THEIR
CONSEQUENCES*

「家事サービス振興のための経済
政策とその帰結」)

Outline



INTRODUCTION

- Why are household services on the rise again?
 - Sociodemographic factors and macro-level approaches
 - Volontarist policies and policy feedbacks

Introduction

Many welfare state authors (Esping Andersen 1999, Pierson 2001, Esping Andersen 2009, Bonoli 2005) depict the **transformation of European welfare states as an adaptation to different pressures, including**

- the shift from manufacturing to service economies, and
- transformations of gender roles



Policies matter and policy feedbacks

- Sociofiscal policies seek to change behavior
- Creates incentives, policy lovers
- Concentrated benefits = interest group organizations
- Difficult to roll back tax deductions.

Outline continued

PART 1: Policy dynamics

- Explaining policy choices: the case of Italy
- Socio-fiscal policies
 - the Swedish case
 - The French case in depth
 - Horizontal diffusion and European union support for sociofiscal measures

The Italian case

- Allowance for dependent and/or old persons is about 600 euros.
- Lack of affordable public institutional care
- New migrants are willing to work for long hours or little money.
- Often their foreign qualifications are not recognized
- SO successive governments including Berlusconi's have made an exception in strict *immigration* laws for « *badanti* » (care workers for the elderly).

The Swedish case (RUT voted in 2007)

- With the return of a Conservative government in 2006, the tax subsidy for household services, called RUT, was passed in 2007. It allows the consumer of private domestic/care services to deduct half of the cost of these services from one's tax declaration with a ceiling up to 11,071 Euros per year. Consumer choice and gender equality were part of the political discourse, but the main driver was the issue of informal work. Clear Left and Right cleavage exists (not in France)
- In 2009 3.4 percent of households made use of the tax deduction doubling the proportion from the year before, and some tax data in 2010 suggest further increases) (Sköld and Heggemann 2011).
- Statistics Sweden show that both elderly and couples with young children are the main users of the tax subsidy, the vast majority are middle and high income earners living in a couple with children. Overall, 64 percent of the reduction was taken by those in the 4th highest income brackets regardless of household type (7 percent to 4th lowest) (Sköld and Heggemann 2011).

Policy changes and policy frames in the French case

• **1948** : first socio fiscal deductions for domestic work.

Help for poor elderly people.

• **1950s-60s** means-tested policies

• **1986-1987** extension to elderly people and parents with children. Increase of the ceilings.

Under right wing government : **Free choice.** Avoiding collective/public institutions.

• **1991** : All households now concerned, increase of the amount of money.

Incentives to make employers declare the workers Reduction of the **black market.** Reduction of the unemployment rate.

• **1996** : **for profit companies** allowed to provide services opening the right to fiscal diminutions.

Developing an economic sector which is **not under world competition pressure**

• **2004-2006 Borloo Plan** : Extension of the ceilings and activities covered by tax breaks

Answering **new needs.** Facilitating **the conciliation between family and work life.** Creation of 500 000 new jobs.



50% off your income tax

- Ceiling varies and so do extra deductions which in fact are tax credits
- Early beginnings: In 1991, ceiling is 25 000 francs in 1992 then 26 000 francs in 1994, 90 000 francs in 1995 and 45 000 francs in 1997.
- Now ceiling is 12 000 euros per year+ 1 500 euros per child person over 65 (limite is 15 000 euros). Ceiling is 20 000 euros in case a member of the household has a handicap requiring outside help (art. 341-4-3 SS code)
- For kids under 6 extra benefit Allocation pour garde d'enfant à domicile (Aged)

Who uses these deductions? the 2005 assessment

- En 2005, 2,6 millions households have spent 4,4 milliards d'euros.
- In ten years, 76% increase in number of households and 100% in total spending.
- Main services: housework, child care and caring for old and dependent persons.
- 47 % of household heads are over 70
- half of the employers are *cadres*.
- En 2005, The top 10 % of the income distribution made up 32 % of users and spend 46 % of the total.

Trend continues

- In 2009, the French institution in charge of assessing public expenditures, the Cour des Comptes, published a report stating that tax breaks dedicated to household services amounted to more than six billion euros (Cour des comptes 2010).

PART 2: policy consequences and conclusion

- What consequences in the household services sector? Are policy goals being being met?
 - for individual employers and intermediaries (private companies or non-profit associations) and people needing care.
 - for employees, foreign and native and care workers
- Overall implications for gender, race and class relations.