New forms of employment
Voucher-based work, Austria
Case study 66: Policy analysis

The system of service vouchers or cheques (DLS) was introduced in Austria to put domestic work on a legal footing, to reduce undeclared work and provide some security and access to social benefits for household workers.

Introduction

The labour market sector of household services is a ‘hidden area’ of the official economy. While there are few statistics providing any strong evidence, it is assumed that there is increasing demand for these services and that the sector is dominated by female workers and a high share of migrants (Kreimer and Hartl, 2004). Nevertheless, the sector receives increasing attention from researchers and policy-makers, not at least because of the burden it puts on the public budget and social security systems. In the mid- to late 1990s it was estimated that between 60,000 and 300,000 people were informally employed in private households in Austria. Against this background, the introduction of household services cheques or vouchers (Dienstleistungsschecks, DLS) was suggested in 2004. Since January 2006 the DLS has been available in Austria, to give employers the opportunity to remunerate household services in line with labour and social security law.

This case study details the main characteristics of the Austrian DLS, based on desk research (legal framework, evaluation and research publications) as well as stakeholder interviews.

Background and objectives of the Austrian DLS

In the mid-2000s, the Austrian government wanted to foster the ‘enterprise household’ as an important labour market and social policy instrument to improve work–life balance (BMWA, 2005). The service cheque was introduced with the aim of creating employment opportunities for low-skilled workers and to reduce the amount of undeclared work (Korunka et al, 2007) because there was assumed to be substantial employment potential in private households (BMWA, 2005). On the basis of data for 2001, it was, for example, estimated that up to 180,000 people were (illegally) working in Austrian households (BMWA, 2005). Furthermore, taking into account demographic developments such as the rising share of working women and increased life expectancy, household services were considered to be a growing sector.

Against this background, a model that was easy and unbureaucratic to apply was sought in order to overcome the reluctance of employers and employees to become involved in formal employment. The government aimed to establish a system fulfilling the following criteria (BMWA, 2005).

- The DLS should be used for remunerating simple household tasks carried out by a worker for an individual person on a temporary basis.
• Employers should be able to buy the service cheque in as many places as possible.
• The price of the DLS should cover all social security costs to be covered by the employer.
• A guideline for a minimum wage should be in place.
• The worker would submit the earned cheque to the social security authority and automatically receive the net payment.
• Workers should be covered by accident insurance for the duration of employment and have the option of voluntarily paying for sickness and pension insurance.

The government conducted meetings with the social security authorities to determine how such a system could be introduced in Austria, and whether it was feasible in labour law and social security terms. Models from other European countries, such as Belgium, were also consulted (Eurofound, 2015).

In 2005 the government passed a law (Dienstleistungsscheckgesetz, DLSG) detailing the characteristics of the Austrian service cheque, with the primary aim of legalising employment in private households and proving accident insurance for these workers during their employment and the option for further social insurance (see below). As a consequence, the DLS is an implicit tool – as household services are dominated by female workers – for providing better social security for a specific group of female workers in Austria.

The law also established that one of the social security authorities should be selected to administer the system. The Insurance Association for Railway and Mining Workers (Versicherungsanstalt für Eisenbahnen und Bergbau, VAEB) was selected to run the back office, to be a contact point for employers and workers regarding the operational implementation of DLS, and to sell DLS. In this role, the VAEB has been actively involved in the implementation of the DLS since its start-up, including the development of the technical system for running the model and providing information about the system (through a dedicated website, and supplying brochures available at places such as social security offices, tobacconists and post offices). The VAEB is in continuous contact with all regional social security authorities to exchange information on the DLS. To fulfil all tasks related to the DLS, 2.6 full-time equivalents are employed in the VAEB, plus some resources from the management for administering the staff and liaising with the ministry.

Characteristics of the Austrian DLS

In Austria, the use of DLS is based on the service cheque law of 2005 (DLSG, 2005). DLS have to be used (DLSG, 2005; WKO, 2014) in the case of employment relationships:

• agreed after 31 December 2005;
• between workers legally allowed to work in Austria (hence migrants with no residence permit and work permit are excluded from the scheme) and private households (natural persons);
• dealing with the provision of simple services typically arising in households, such as cleaning (flats, houses, clothes, dishes), childcare, purchasing food, convenience goods, medicine (but not medication) or heating material, or simple gardening tasks; DLS cannot be used for tasks requiring specific education/training (of longer duration) such as the care of elderly or sick people, for tasks partly to be realised in households and companies and for triangular employment relationships (for example, for employees of a foundation carrying out tasks in a private household whereby the legal relationship is only between the foundation and the household and not the individual worker and the household), or tasks which are generally carried out by a professional company;
• with a duration of a maximum of one month; however, with the aim to provide an unbureaucratic employment relationship, in the case of service vouchers fixed-term contracts
can be renewed without limitation and also immediately after each other without transforming the employment relationship automatically into an indefinite one;

- with a remuneration of a maximum of the threshold for marginal employment (€395.31 per month for 2014, whereby some supplementary payments are not to be included, resulting in an upper limit of €541.52 per month) per employer (the worker can, however, be working for more than one employer and if the threshold is exceeded, a ‘standard employment’ relationship is automatically realised.

An evaluation of the DLS in 2007 showed that the services most often offered are cleaning and ironing, followed by gardening (Korunka et al, 2007).

There is no official platform matching employers and workers looking for employment relationships based on DLS, so the two parties have to find each other on their own initiative. Such a platform was originally in place, but not enough employers and workers used it to achieve efficient matching (naturally, service provision is very local and hence interested employers and workers need to be in the same place).

Before establishing the employment relationship, the employer is obliged to ensure that the worker is legally permitted to work in Austria (DLSG, 2005) by checking their work permit and social security number. If there are doubts regarding the legality of the work permit, the public employment service has to be consulted. Employers hiring a worker without a legal work permit for Austria on the basis of a DLS will be initially given a warning, and if they repeatedly do so, they can be fined up to €200 (DLSG, 2005).

The employer can buy the DLS at more than 3,000 tobacconist shops, about 300 post offices, at the VAEB and via the internet. When the cheque is bought at a tobacconist or online, it will be prepared electronically and hence the employer can choose the value – up to €100. At the post offices, the cheque will have a standardised value of €5 or €10 (and cost the employer of €5.10 or €10.20, respectively, see below). If an employer buys the DLS via the internet and the worker also has internet access, the cheque can be forwarded electronically. In this format, the worker can immediately submit the cheque to the social security authority for payment.

Each service voucher has to contain the following information (DLSG, 2005; WKO, 2014):

- value (that is, the remuneration for the worker);
- price (that is, the workers’ remuneration plus the contribution to the accident insurance (1.3%) and an administrative fee (0.7%); all has to be covered by the employer);
- name and social security number of the employer;
- name and social security number of the worker;
- date of employment.

DLS do not have any expiry date, so the employer is not obliged to use them within a certain period of time after having bought them. Unused cheques can be returned to the VAEB for a full refund.

When using the DLS system for the first time, employers and workers have to fill in a supplemental sheet to be submitted to the social security authority together with the DLS to establish the employment relationship. Afterwards the employer and worker can agree on working days and tasks among themselves and, if so wished, the employment relationship can cease without any need for deregistration with any authority (hence, there is no notice period or severance pay linked to the DLS).

The supplemental sheet is a one-page document asking for the name, address, telephone number, email address and social security number of employer and worker, as well as bank details of the worker. Consequently, the social security authority does not learn about the type of work the
employer and worker agree upon and has no way of checking whether the legal requirements regarding the tasks have been fulfilled.

The employer must pay the worker at the end of each day worked with a DLS. If this is not done and the worker incurs any expenses caused by the delayed submission of the DLS, the employer has to reimburse these costs (DLSG, 2005).

The law obliges the workers to register their voucher-based employment relationships. This is done by submitting the voucher to the VAEB or any social security institution by the end of the month following the service provision. However, the worker will receive the payment even if he/she submits the DLS later.

All registration and contribution obligations of the employer are satisfied by filling and handing over the voucher to the worker. The social security institution (that is, the VAEB) transfers the net payment to the worker. An evaluation of the DLS system in 2007 shows that in between 85% and 90% of the cases the workers receive the money within 10 days after submitting the cheque (Korunka et al., 2007). Payment seems to be fastest if the worker submits the cheque in person in the competence centre on DLS at the VAEB, while sending it by mail (naturally) causes some delays.

There is no maximum number of cheques a single household can buy, but if a household exceeds the threshold for marginal employment by 1.5 times by employing various employees in this system (€592.97 per month for 2014, excluding some supplementary payments, resulting in an upper limit of €812.29 per month), the household has to pay the employer tax of 16.4%.

If the value of the DLS stemming from one employer a worker submits per month exceeds the income threshold for marginal employment, the worker will be automatically subject to sickness and pension insurance and will have to pay the related contributions (14.7%). The same holds true if the worker combines work based on DLS with other marginal or standard employment and exceeds the total income threshold.

DLS workers with a yearly income of up to €12,000 (earned exclusively through service cheques) are exempted from the payment of income tax. If DLS workers have income from other employment relationships or other sources (like rents or from running a craft business) exceeding €730 per year, they will be subject to income tax.

Voucher-based employment relationships are subject to the Domestic Servants Act (Hausgehilfen und Hausangestellengesetz). The hourly wages (as well as working hours and all other elements of working conditions) are agreed upon between employer and worker; however, they have to consider the annually defined minimum wage and to include remuneration for leave that has not been taken and pro rata special payments (DLSG, 2005). The minimum hourly wages vary from federal state to federal state (harmonisation is planned for the future) and among the type of tasks, and are applied with the aim of avoiding price dumping through voucher-based work. Bearing in mind that while the value of cheques bought online or at tobacconists can be decided by the buyer, at post offices they are available only for €5 or €10; at least in the latter cases it can be assumed that the actual wage agreed upon between employer and worker will be higher than the minimum wage.

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Source: BMASK/VAEB, 2014

The DLS covers workers’ accident insurance for the duration of employment, but does not establish any entitlements for other types of insurance (for example, unemployment insurance, pension insurance). Nevertheless, it gives workers the opportunity to pay voluntarily for sickness and pension insurance, starting with the day the employment starts, and ending with the end of the relevant calendar month. If, for example, a worker decided to make voluntary payments in 2014 the monthly contribution, would have been €55.79. Employment relationships based on the DLS are then considered as eligible time when calculating pension entitlements.

If the employer uses DLS for childcare by a person having respective education of at least 16 hours if the carer is 16–21 years old, or eight hours if older, the costs can be deducted for the income tax calculation by the employer.

**Outcomes**

**Macro level**

Available data show that the numbers of vouchers sold have increased continuously since the system was introduced. While in 2006 59,820 DLS were sold, the number reached 202,822 in 2013. Since the start of the scheme, between 96% and 99% of the cheques sold have also been redeemed.

*Figure 1: Number of DLS sold and redeemed, 2006–2014*
The total value of DLS has been also been continuously increasing. In 2006, the value of sold DLS amounted to €997,432, compared with €5,011,978 in 2013. The growth in value exceeds the growth in the number of cheques sold and redeemed, indicating an increase in the average value per cheque. While, in 2006, each redeemed cheque had an average value of €17.16, it was €24.84 in 2013.

Figure 2: Value of DLS sold and redeemed, 2006–2014

The number of employers using DLS has also risen continuously, from 2,316 in 2006 to 7,777 in 2013, resulting in a relatively stable average annual number of cheques per employer (around 25). Over the course of the scheme about two-thirds of the employers have been female. In 2006, about 63% of the employers were over 45, compared with 68% in 2013, indicating a disproportionate growth in usage by older employers. The share of university graduates among employers is almost three times higher than among the total population (28% as opposed to 10%) (Korunka et al, 2007).

Figure 3: Number of employers using DLS, by gender and age, 2006–2014
* as of 23 July 2014

Source: BMASK, AMS-DWH

The number of DLS workers increased from 2,067 in 2006 to 6,611 in 2013, with a relatively stable average annual number of cheques per worker (around 30). About 75%–80% of the workers are female, and the vast majority just work for a single employer. As with the employers, the DLS workers are also characterised by an increasing share of older people over time. While in 2006 about 38% were older than 45, this share amounted to 45% in 2013.

*Figure 4: Number of DLS workers, by gender and age, 2006–2014*
The vast majority of Austrian workers under the voucher system are marginal employees or have an out-of-the-labour force status (61% of female and 16.5% of male workers) (Korunka et al, 2007). Among those having another employment status besides the voucher scheme, about 16% are employed, 1.3% are self-employed and about 18% are unemployed.

Kreimer and Hartl (2004) indicate the following advantages and disadvantages of household services cheques for the labour market:

- Easy entry into this field of activity provides a good labour market (re)integration opportunity for women who have no qualifications or whose qualifications are low or obsolete, particularly in rural areas.
- Working in household services requires a certain degree of organisational competence, upskilling ‘management competences’.
- Employers are rarely willing to pay adequate market prices.
- Workers have hardly any career development perspectives and employability is rarely fostered.
- The DLS has been observed not to cover the vast majority of household workers who are illegally employed foreign nationals without legal residency and/or a work permit. The
workers under the cheque system do not benefit from labour law protection in terms of entitlements to unemployment or future pension benefits.

**Micro level**

Kreimer and Hartl (2004) conclude, from their summary of various studies, that mainly older customers, higher income families and high-income, young, urban academics demand household services. This can be confirmed by the data shown above. At the same time they mention that the demand for household services is based on heterogeneous motives:

- physical limitations preventing people from doing household chores themselves (for example, older or disabled people);
- the permanent or temporary need to care for children or other dependent persons reduces the time available for household chores;
- outsourcing of continually arising activities through people who can afford to household services (for example, families with two income earners, high-income singles with long working hours);
- outsourcing of occasional services that cannot be conducted oneself, due to lacking specific competences or time (for example, large cleaning tasks or repairs).

Kreimer and Hartl (2004) also emphasise that workers providing household services rarely make an active decision to do so, but rather work in this field because they lack alternatives. The mainly female workers have a heterogeneous occupational background and are often overqualified.

The 2007 evaluation of the DLS model found that almost one-fifth of DLS workers were employed, for more than 30 days, for six to 10 days and 11–20 days, respectively. Some 14% have been employed on a DLS basis for only one day. This can be seen as an indicator for either using the DLS for one-off small-scale household chores and/or loose employment relationships between employer and worker.

According to Korunka et al (2007), from January 2006 to March 2007 about two fifths of the DLS workers applied for voluntary sickness and pension insurance. About 6% of these applications were rejected by the social security authorities.

In the 2007 evaluation of the DLS, two thirds of the employers and almost 70% of DLS workers indicated that they were highly satisfied with the Austrian model, and fewer than 10% of each group mentioned (strong) dissatisfaction. Criticism was mainly related to bureaucratic requirements, availability of the DLS, a feeling of general insecurity, and of being controlled, as well as the delay in payment.

*Figure 5: Satisfaction with the DLS model and the usefulness for employers and workers (%)*
Kreimer and Hartl (2004) indicate the following advantages and disadvantages of household service cheques for the workers:

- flexibility to organise working time;
- establishment of social contacts (although the tasks are often done in isolation as the employer is often absent at the time);
- tasks are rarely interesting, and most are related to dirt and physical strain;
- stress due to different requirements and expectations from different employers.

Next to that, the unbureaucratic legislation of household work can be viewed positively by employers as they do not have to be concerned about acting in conflict with the law. At the same time, working conditions of the workers are at least partly improved as accident insurance coverage is provided and they are given the option to obtain further insurance in other social protection areas.

**Strengths and weaknesses of the Austrian DLS**

The continuous increase in the number of DLS issued as well as the numbers of employers and workers involved shows a good level of interest and acceptance of the model in Austria. The Austrian DLS addresses a sector of the labour market in which undeclared work is quite common and also widely accepted (Korunka et al, 2007). Hence, offering a form of legal employment with a low level of bureaucracy and limited obligations on the part of the employer (such as registration and deregistration or supplementary wage costs.) can be seen as an important contribution to reducing the amount of undeclared work.

At the same time, bearing in mind the estimates of the total number of household workers, awareness of the model and the amount of usage could still be improved. In spite of the minimal registration and administration requirements related to the DLS – and particularly the very quick and simple transaction in using the online system – compared with standard employment, there is some criticism regarding the respective efforts needed. Naturally, the efforts are higher than for undeclared work, and, for example, the employers’ obligation to ask the workers to show their work permit makes them feel uncomfortable (Korunka et al, 2007). Furthermore, some of the employers would prefer to remunerate the workers directly in cash, rather than having to hand over a cheque and thereby somewhat delay payment (Korunka et al, 2007).

An important strength of the model is the provision of some basic social protection to the workers in the form of compulsory accident insurance and the option of voluntary sickness and pension
insurance. Furthermore, payment is made comparatively quickly and without the deduction of ancillary wage costs to be covered by the worker.

According to a trade union, a disadvantage of the DLS is that labour law is not applied (Vida, 2011). If, for example, a DLS worker becomes sick during a job and has to stop working, he/she is entitled to the full payment for the agreed employment. However, if he or she becomes sick the day before the employment is supposed to start and cannot come to work, the employer does not have to pay. This would, for example, be different if the worker was hired on the basis of marginal employment. The latter situation, however, creates a higher administrative burden for the employer.

Another drawback of the model is the limited possibility of combining DLS-based work with other jobs as this increases the level of social security contributions for the worker.

From an administrative point of view, the cooperation of the VAEB with the social security authorities, the purchasing points and the ministry is assessed as working well. While the administrators have to cope with daily challenges in running the system and providing the workers with their payment as quickly as possible, the body is well staffed to deal with them and no structural problems have been identified.

**Transferability**

The Austrian model of DLS is specifically designed to satisfy the requirements related to employment in private households, and as of summer 2014 there were no plans to expand it to other types of employment relationships. Transferring the concept to tasks other than those foreseen in the law; that is, employment relationships with self-employed people or companies, might result in contradictions with labour and social security law. Hence, if such an extension was considered this area would have to be investigated beforehand.

However, transfer of the model in its current form to other countries could probably be done comparatively easily. An important precondition, however, is, that any country wishing to adopt the system should have a concept similar to the Austrian ‘marginal employment’, in other words of a form of employment relationship not linked to compulsory social security contributions if income is below a certain threshold.

**Commentary**

Since its introduction the Austrian DLS has attracted increasing interest, manifested by the rising numbers of DLS sold and of employers and workers involved in the system. Consequently, it can be said to have contributed to its main objective, the legalisation of undeclared work, although there is considerable room for improvement in this regard as there still is a high level of undeclared work in Austrian households.

In addition to the legalisation aspect, DLS can be seen to have had some effect on the labour market integration of women, particularly as the specific group of workers addressed by the DLS often lacks other employment opportunities in their locality. DLS not only offer them official employment, but also some basic social protection, hence improving their status compared with those doing undeclared work.

The job creation effects of DLS are virtually non-existent, and job quality and employability effects are also questionable. This, however, is related to the type of tasks provided on the basis of DLS, and not the DLS system itself.

Overall, it should be noted that both employers and workers who have used the DLS system are highly satisfied. Consequently, maintaining and improving the model seems to be important. As regards the latter, an evaluation was conducted in 2007 and another one was planned for 2014. These aimed at following up on the development of the system and highlighting potential areas
for improvement, such as the production of a multilingual information sheet to make the system more understandable for non-native Austrians interested in the DLS (Korunka et al, 2007).

Information sources

Websites
Bundesministerium für Arbeit, Soziales und Konsumentenschutz, www.sozialministerium.at
Dienstleistungsscheck Online, https://www.dienstleistungsscheck-online.at/dienstleistungsscheck-webapp/index.jsf
Österreichische Sozialversicherung, www.sozialversicherung.at
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