

New forms of employment Voucher-based work, Belgium

Case study 43: Policy analysis

The Belgian service voucher system, introduced under legislation in July 2001, seeks to create job opportunities for some vulnerable groups and to reduce the incidence of undeclared work in the domestic services market. However, questions remain over its long-term sustainability, given the heavy burden it places on public finances.

Introduction

This report analyses the service voucher system and related practices in Belgium. It discusses the main regulatory features and developments of the service voucher system, describes its organisation and implementation, identifies its outcomes and strengths and weaknesses, and evaluates its potential for transferability to other countries.

The report is based on the available literature and documents about the service voucher system and on interviews with a number of stakeholders: one researcher, three trade union representatives and three employers' representatives. It builds on and updates the research report *Formalising domestic cleaning: The Belgian service voucher system*, which examines the quality of jobs in the Belgian cleaning sector (Van Peteghem, Pauwels and Ramioul, 2011). This report is also complemented by case study 42 of this project on a service voucher company in Belgium, *Landelijk Dienstencoöperatief* (Eurofound, 2015).

Background

In Belgium, domestic services, such as cleaning or light household help, used to be performed by undeclared workers. The scope of undeclared work in Belgium has always been quite substantial and higher compared with neighbouring countries (France, Germany, Luxemburg and the Netherlands) (ILO, 2013).

Based on previous experience from several EU Member States, particularly France, in 2001 Belgium decided to introduce service vouchers to its labour market for domestic services. Officially, the system was introduced under the Law of 20 July 2001 aimed at promoting local services and local jobs (*Wet ter bevordering van de buurtdiensten en buurtbanen*) and a first Royal Decree on 12 December 2001. As the system took some time to develop, the law and the royal decree were considerably modified to boost a more rapid start-up, leading to a generalised use of service vouchers from 2004 onwards.

The objectives of the service voucher system are fourfold (House of Representatives, 2009).

- To create additional jobs for vulnerable groups, such as people with lower levels of education, elderly people and those wishing to re-enter the labour market after a prolonged period of inactivity.
- To eradicate undeclared work by transforming non-official domestic jobs into regular employment contracts.

- To replace employment contracts of a temporary or part-time nature with fully fledged employment contracts. The service voucher system was perceived as an instrument to complement the activities of social enterprises and provide employment for vulnerable groups. In many cases, people who were considered to be vulnerable in the labour market used to receive unemployment benefits while at the same time being employed for 'local economy needs'. These people worked in so-called local employment agencies (*Plaatselijke WerkgelegenheidsAgentschappen*, PWAs), created by a number of communal bodies and specifically oriented towards citizens who were at a certain distance from the regular labour market; they were allowed to have limited additional income in this area on top of their unemployment benefits. The service voucher system was precisely designed to provide people in this group with a regular employment contract.
- To facilitate work–life balance by granting easy access to formalised domestic services through the service voucher system.

The original aim was to create 25,000 new jobs by the end of 2007 (EFSI, 2013b). While this objective was considered to be rather ambitious at the beginning, it was quickly surpassed (see Table 1). This rapid expansion of the service voucher system came as a surprise, and the cost to the Belgian treasury significantly exceeded the initial budget proposed.

Characteristics of the service voucher system

The Belgian service voucher system originated from negotiations between the federal and regional governments. These negotiations resulted in a cooperation agreement dated 4 July 2000 on the social economy. This agreement was the basis on which the actual service voucher system was founded.

According to the regulatory framework, the service voucher system aims to promote neighbourhood services and jobs, particularly domestic cleaning services. Customers pay for these services with vouchers, which they can order at an assigned issuing body. Domestic services are delivered by specific companies that employ people 'at risk' – primarily, those who are long-term unemployed, but also other people from other vulnerable groups. These organisations comprise either newly created or already existing non-profit or for-profit companies. These companies have to be recognised by the federal Minister of Work, and they operate under the supervision of the National Employment Office (RVA/ONEm). The service voucher organisations are allowed to offer only a limited number of domestic activities, namely cleaning and ironing. Other activities, such as gardening, repair and maintenance work, child care and elderly care, are not allowed. These limitations were introduced because some of the other services are subsidised through specific channels, for instance care activities, whereas others should be delivered through the regular labour market (such as gardening and more technical interventions).

Another limitation relates to the amount of services that can be purchased by the individual customer. To limit government expenses, every citizen is allowed to spend a maximum of 500 service vouchers a year, corresponding to 500 hours of work to be delivered within a 12-month period. During the initial period of the system, the limit was 750 service vouchers a year. The current limit for an entire family is fixed at 1,000 service vouchers a year, although this can be increased to 2,000 in specific circumstances, for example if the family has a child with disabilities.

Service voucher process

The process involves a recognised service voucher organisation hiring workers to deliver the required neighbourhood services and offering them a regular employment contract. This gives service voucher workers access to social security allowances of all kinds and ensures they fall under the scope of employment regulations (such as severance pay provisions and safety and health rules). In order to receive the services, a customer (in practice, an individual or a family) buys service vouchers from the issuing institution. This role has been assigned to a privately owned company, namely Sodexho Belgium. Customers pay €9 per voucher for the first 400 vouchers and €10 per voucher for the remaining 100 vouchers they are entitled to in one 12-month period. The customer then has to apply to a recognised

service voucher organisation requesting domestic services and must sign a written agreement on the number of hours to be performed on a weekly basis. For every working hour performed by the worker, the customer hands over one service voucher to the worker, who then passes it on to their employer (the recognised service voucher organisation).

The recognised service voucher organisation then hands over the service vouchers received from its workers to Sodexho. The issuing institution pays €22.04 per service voucher to the recognised service voucher organisation. The difference between this amount and the price of the service voucher, €12.04 or €13.04 per voucher (depending on the tranche), is paid by the RVA/ONEm to the issuing institution. On top of this, the issuing institution is reimbursed by the RVA/ONEm for its operating expenses – that is, for administrative support and the printing cost of the vouchers.

These payments cover the salary costs (the gross salary including social security contributions and all regular extra costs such as holiday pay) of the service voucher organisations. They also cover other expenses, such as those related to organising training sessions, reimbursing traffic expenses, medical surveillance, insurance costs and other expenses. Moreover, these payments ensure a certain level of profitability for the recognised service voucher organisations.

The services offered by service voucher organisations are exempt from value-added tax (VAT). To boost the use of service vouchers, purchasers of the vouchers get a 30% tax deduction, with a maximum amount of €1,380 a year. Prior to 1 July 2013, the maximum tax deduction amount was €2,560 a year.

Recognised service voucher organisations

In order for a company to become a recognised service voucher organisation, it must apply to the advisory Service Vouchers Recognition Committee, which consists of employers' and trade union representatives. In most cases, applicants are approved. Even in cases where the Recognition Committee refuses to grant permission to start a service voucher business, the Minister of Work frequently overrides such decisions and issues the permit. At the outset of the new system, the key objective was to promote the use of the service vouchers, imposing as few obstacles as possible. Therefore, it was generally assumed that the process of recognition was just a formality.

To promote the voucher system and stimulate job creation, private temporary employment agencies were also granted permission to develop service voucher activities. As a result, there are now four eligible types of organisations that can offer service voucher services:

- public institutions (such as community organisations delivering public welfare and social assistance services), social economy organisations (such as centres for employment and migrant education) or those delivering local services for personal assistance;
- commercial businesses (usually companies founded by a natural person or a legal body);
- temporary work agencies;
- private non-profit organisations (usually those delivering services for families).

Temporary agencies were the fastest to realise the opportunities offered by service vouchers. Indeed, temporary work agencies are geographically well distributed throughout the country and are frequently contacted by job seekers. Temporary agencies invested a lot in the promotion of service vouchers and thus contributed to the rapidly increasing popularity and general acceptance of the new system. At first, temporary work agencies accounted for 50% of the total voucher market share. Nowadays, this figure is much lower. Federgon, the Belgian professional association of temporary work agencies and service voucher companies, confirmed that this initially high market share has been constantly decreasing due to a high number of new for-profit organisations entering the service voucher market. Table 1 gives an overview of the distribution of service voucher organisations according to their nature.

Table 1: Distribution of service voucher organisations

Nature	Frequency (%)
Private companies	46.4
Temporary work agencies	1.0
Social economy organisations, local employment organisations and communal bodies	23.7
Non-profit organisations	12.5
Self-employed people	16.3

Note: Figures relate to 2011; Total (n=2,416)

Source: IDEA Consult, 2013

At the outset, many service voucher organisations were created by local authorities. This led to a significant transfer of workers from the existing PWAs that operate under the supervision of local governments, mostly municipalities of communal centres for social assistance, to the newly created service voucher system. PWAs and similar municipal bodies used to put a heavy burden on the cities' and communes' budgets, whereas the service voucher system is subsidised from federal funds. This transfer did not have any impact on workers themselves because their work duties and labour conditions remained the same.

In companies that offer other services alongside service voucher jobs – such as temporary work agencies or non-profit organisations active in the field of domestic services before the service voucher system came into being – the service voucher division has to be separate from the other commercial activities. For this reason, an analytical accounting system has to be put in place to keep track of the corresponding earnings and expenses. Some companies have even created a separate legal identity for their service voucher branch, although this is not obligatory. In the service voucher organisations, the service voucher division has its own social bargaining bodies, namely the works council or safety and health committee, if the number of workers in this division meets the applicable threshold of 50 workers for creating a safety and health committee and 100 workers for creating a works council.

Further development of the service voucher system

The service voucher system predominantly seeks to lower the unemployment rate and reduce the number of undeclared cleaning jobs in Belgium. To ensure the success of the new system, the authorities have set a low initial price for the vouchers, broadened the scope of permitted activities and, as mentioned above, been more permissive in recognising new service voucher companies.

The Federal Public Service Employment, Labour and Social Dialogue (*Federale Overheidsdienst Werkgelegenheid, Arbeid en Sociaal Overleg/Service Public Fédéral Emploi, Travail et Concertation Sociale*) evaluates the performance of the service voucher system on an annual basis. The assessment is subcontracted to a privately owned consultancy organisation. In addition, labour inspectorate bodies are encouraged to keep a close eye on this specific activity sector because of the high public expenditures involved. Both approaches have proved useful and led to subsequent modifications of the regulatory framework and a tightening of recognition procedures.

In July 2010, the Flemish government and the social partners representing the service voucher sector concluded a collective agreement, which reserved subsidies for hiring a consultant to monitor the sector's development (Flemish Government, Department of Work and Social Economy, 2012). The Department of Labour and Social Economy also organised a number of meetings with various stakeholders to monitor and assess the outstanding problems within the sector. During these meetings, four major areas for improvement were highlighted:

- promoting greater accessibility of the service voucher system due to lack of suitable candidates;
- reinforcing the competences of recognised service voucher organisations to further increase their professionalism;
- analysing the turnover of service voucher workers and encouraging their employers to set up a retention policy;
- enhancing the capabilities of recognised service voucher organisations to implement equal opportunity policies and diversity management.

In recent years, regulations have grown stricter to promote better working conditions for the workers involved. One of the more significant regulatory updates was tightening the company recognition process. Since 1 January 2013, organisations seeking to become recognised service voucher companies are obliged to deposit €25,000 at the RVA/ONEm. This investment is meant to limit the influx of new candidates (it therefore does not apply to existing service voucher organisations) and could be used if a service voucher company fails to pay its taxes or social security contributions. Most interviewees expect the number of recognised service voucher companies to decrease in the near future.

In 2005, the social partners created a specific joint subcommittee for recognised service voucher organisations: this is a common approach in Belgium for sectors of activity that have taken on a critical dimension, and typically leads to the conclusion of sectoral agreements in which various elements of working conditions applicable to the entire sector are agreed on. According to the interviewees in this case study, this is a significant development for the service voucher sector. It led to the first sectoral agreement on the employment of ‘vulnerable groups’ (collective agreement of 29 September 2005).

Later, a range of collective labour agreements (*collectieve arbeidsovereenkomsten/conventions collectives de travail*, CAOs/CCTs) followed suit, originally focusing on salary conditions and working time. At a later stage, these agreements addressed issues such as the creation of in-company joint consultative committees, the establishment of a transport expenses compensation system and the availability of working clothes. To enhance training efforts, in 2007 the federal government established a training fund for the service voucher sector – called a Social Fund (*Sociaal Fonds*) – which was overseen by the social partners belonging to this sector of activity.

The system has now reached a certain level of maturity. After a series of modifications, the regulatory framework is now largely stable. The supervision of social inspection services has grown tighter and the recognised companies are becoming more professional. The price of the service vouchers, which was very low during the initial stage, has been slowly increasing over the last few years and is gradually approaching the levels paid for undeclared domestic work.

According to the coalition agreement of the current Belgian government, responsibilities related to employment policy, including the service voucher system, should be transferred from the federal (national) government to the regional authorities (Belgian Federal Government, 2011). However, at the moment, it is still not known when these changes will take place.

Outcomes and effectiveness

All of the interviewees in this case study agreed that the service voucher system has proved successful. The system has succeeded in reaching the most vulnerable unemployed people, providing them with jobs despite their rather limited labour market possibilities. Despite the modest salaries earned, the system has provided local jobs that offer considerable flexibility and autonomy.

Table 2 gives an overview of the service voucher system’s development in the Belgian economy between 2004 and 2013. It shows that usage of service vouchers has been steadily increasing, although the growth rate has slowed more recently. It is likely that the growth rate will level off over the coming years.

Table 2: Evolution of service voucher system in Belgium, 2004–2013

	2004	2006	2008	2010	2011	2012	2013*
Number of vouchers purchased (Million)	8.11	35.9	65.2	94.8	105.3	114.4	122.1
Number of active users	98,814	316,101	557,482	760,702	834,959	899,558	946,601
Number of recognised service voucher companies	504	1,163	1,892	2,576	2,708	2,753	2,448
Number of people employed via service vouchers	–	61,759	103,437	136,915	149,827	151,137	130,314

* Note: 2013 data are based on a slightly different calculation method.

Source: IDEA Consult, 2013 (for the years 2004–2012); data for 2013 were obtained from the RVA/ONEm website

Table 3 shows the geographical distribution of service vouchers reimbursed. A high proportion of service voucher workers are concentrated in the Flanders region – considerably more than Flanders’ share of reimbursed vouchers. This implies that relatively more workers are employed through the service voucher system in Flanders than, for example, in Brussels, but that the intensity of voucher-based work is comparatively lower. The Brussels region has registered a steady increase in the number of service voucher workers from 2006 to 2011, while this number has remained stable in the same period in the Wallonia region (IDEA Consult, 2013).

Table 3: Number of service vouchers reimbursed per month by region

	Flanders	Wallonia	Brussels	Belgium
Number of reimbursed service vouchers	5,084.634	2,205,696	2,923.574	10,213,903
Equivalent in %	49.78	21.60	28.62	100.00

Note: Data show the monthly average, 2012 Q4

Source: Data obtained from the RVA/ONEm website

In Belgium, the largest group of service voucher users are aged 35 to 55, accounting for 45% of all users. Just over a quarter of service voucher users are aged 65 or older. However, it should be noted that there was an increase in the average age of service voucher users between 2008 and 2011.

Almost all service voucher workers (97%) are female and about three quarters are of Belgian nationality (Table 4). These workers tend to be of medium age and have low-to-medium education levels.

Table 4: Main socio-demographic characteristics of service voucher workers (%), 2011

		Total (n=149.827)	Brussels (n=20.194)	Flanders (n=89.126)	Wallonia (n=888)
Gender	Men	3.0	5.2	2.6	5.5
	Women	97.0	94.8	97.4	94.5
Age	<30 years	21.7	22.5	21.7	18.4
	30–39 years	29.2	34.6	27.7	30.1
	40–49 years	30.3	26.8	29.8	34.6
	>50 years	18.9	16.1	20.8	17.0
Education level	Low	56.1	63.4	51.3	64.9
	Medium	39.2	30.3	44.3	33.1
	High	4.7	6.3	4.3	2.0
Nationality	Belgian	73.4	23.0	79.8	18.2
	EU27 (excluding Belgium)	18.6	55.1	13.4	81.2
	Non EU27	8.0	21.9	6.8	0.6

Source: IDEA Consult based on RVA/ONEm data (2007–2011)

Outcomes: macro level

Increased employment

Data for 2009 showed that 8.1% of the Belgian population aged 20 or over actively used service vouchers. This figure increased to 10% in 2011 (IDEA Consult, 2013).

The service voucher system has developed a substantial niche in the Belgian employment market. In 2011, 2.2% of employed people in Belgium worked in the service voucher system. As service voucher usage continued to rise, an estimated 4.3% of all Belgian jobs were in the service voucher sector by 2013 (figures cited by the Federgon interviewee). Since most of the service voucher workers were female, this figure reached 7% for women and, in some areas of Belgium, it was as high as 10% (Pacolet, De Wispelaere and Cabus, 2011).

The success of the system in achieving one of its original objectives – that is, to lower unemployment levels – is further highlighted by the fact that about one third of the service voucher workers had previously been unemployed for more than five years. This means that the service voucher system helped them to regain their place in the labour market (IDEA Consult, various reports).

It is not known how many workers left the undeclared labour market to take service voucher jobs. However, in 2009, seven years after the launch of the system, it was estimated that around 10% to 20% of total undeclared labour in Belgium had become legalised (IDEA Consult, 2010).

A rise in public expenditure

Government subsidies to keep the service voucher system afloat can generate a certain ‘earn-back’ effect. All service voucher workers in effect have regular income which is taxed like any other income. In addition, this employment system indirectly creates additional jobs, such as management and administrative support within the recognised organisations. In 2009, the system cost around €1.2 billion

and, according to one specific calculation (Pacolet, De Wispelaere and Cabus, 2010), 38% of this amount was retrieved through direct earn-back effects; nevertheless, this figure is controversial (Federgon, 2010). Notwithstanding these earn-back effects, the success of the service voucher system relies on a considerable investment by the federal government. According to one researcher, the real cost of the service voucher scheme for the federal authorities in 2010 was €1,890 billion (Pacolet, De Wispelaere and De Coninck, 2011). Another study estimated that the gross cost (including earn-back mechanisms) for 2010 was €1,430 billion and €1,655 billion for 2011 (IDEA Consult, 2013). The most informative figure in this respect was delivered by the European Federation for Services to Individuals (EFSI) (2013b), which came to the conclusion that in 2011 Belgian public authorities had to pay an average of €3,520 a year to finance one service voucher worker; this figure takes into account direct and indirect earn-back effects. As a result, the Belgian authorities are in the process of trying to gradually lower public spending on the service voucher system.

Increased overhead costs and potential to scale up

The diminishing growth in the number of service voucher organisations is related not only to the stricter entrance conditions, but also to the gradual lowering of government contributions. A recent study on the profitability of service voucher companies demonstrated that, of late, profit margins have been decreasing (IDEA Consult, 2013). Rising salary costs and lower government support were identified as the major reasons for the decrease in profitability. Indeed, to stay attractive for applicants, some recognised companies give their service voucher workers additional incentives through various forms of extra-legal advantages, such as lunch vouchers. Representatives of employers' organisations indicated that, eventually, this might further affect the profitability of the system. In addition, the Belgian authorities have recently merged the statutes of blue-collar and white-collar workers to the advantage of the former category: blue-collar workers, for instance, now get longer terms of notice. This will further increase the operational costs for service voucher companies.

The same study (IDEA Consult, 2013) confirms that decreasing profit margins predominantly affect smaller employers. For them, overhead costs are substantial and can be lowered only through economy of scale. The profit margin per service voucher, which used to be €3.44 in 2006, came down to €0.33 in 2012. Therefore, the only way for companies to compensate for the rising overhead costs is to increase the number of vouchers sold. For these reasons, many smaller-scale initiatives are being stopped. This is illustrated by the fact that a growing number of recognitions were withdrawn, reaching up to an estimated 360 in 2012 (IDEA Consult, 2013). Other service voucher employers can opt to merge with or integrate into larger companies. Indeed, there are considerable opportunities for scaling up because many recognised organisations are small: in 2012, more than 46% of all service voucher companies had fewer than 21 workers and another 28.2% employed between 21 and 50 workers (IDEA Consult, 2013).

Change in service voucher worker profile

The service voucher system is becoming increasingly focused on migrant workers as there is a shortage of native Belgians willing to join the system, presumably because salaries are on the low side and job content is not attractive for many potential candidates (for instance, unemployed men). A number of employers have reported bad experiences with native Belgian service voucher workers, who allegedly showed a lack of willingness to work (Peuteman, 2011). Some service voucher companies have reacted to the shortage of workers by bringing in more workers from abroad. In the beginning, many of the migrant service workers came from Poland, but increasingly workers from other countries have started to join the system, both from EU and non-EU countries.

In 2009, 78.2% of the service voucher workers had Belgian nationality (House of Representatives, 2011a) and another 15% came from EU Member States. The latest available figures for 2011 show that the share of native service voucher workers decreased to 73.4% and that the proportion of workers from outside the EU has increased (IDEA Consult, 2012). This trend has raised some concerns because attracting migrant workers to work into the subsidised sector was not the original objective of the service voucher system.

As a consequence, a Royal Decree of 3 August 2012 states that 60% of new service voucher jobs are reserved for people living on unemployment benefits or people receiving an integration income (these people are not eligible for unemployment benefits). These social benefits are not paid to non-EU Member State residents living without legal documents in Belgium. Consequently, the decree was expected to lower the influx of immigrants without legal papers into the service voucher system. However, this decree was published with a long delay and was only implemented from mid-2012 onwards. It is still not known how successful this regulatory tightening has been. Some researchers believe it is not effective (Vandenbulcke, 2012).

Another observation is that the number of service voucher workers who were previously unemployed has gone down as well. This proportion dropped from 46% in 2007 to 37% in 2011 and even further down to 23.8% in 2012. Virtually 50% of the newly hired service voucher workers previously had a paid job, and nearly half of that group chose to switch over on their own initiative (IDEA Consult, 2012 and 2013), which is a highly unexpected and undesired development. The Royal Decree of 3 August 2012 was intended to reverse this tendency as well.

Challenging aspects from a trade union perspective

According to the trade union representative interviewed, the service voucher sector is difficult to control. The employer's presence at the employee's workplace is limited, which reduces their ability to efficiently react to any difficulties or problems faced by the employee. This implies that sectoral approaches (the negotiation of collective agreements) are more important in this case than the traditional in-company trade union activities. However, the potential for social dialogue is more challenging: the qualification of the workforce is low, interpersonal contacts are rare and superficial, staff turnover is considerable and the willingness to join trade unions is often limited (Van Peteghem, Pauwels and Ramioul, 2011).

Outcomes: micro level

Individuals and families

For individuals or families, the service voucher system has become a cheap and legal way of hiring domestic services. Taking into account tax deductions, calculations show that service voucher customers pay only 28.6% of the real voucher cost. Prior to the increases imposed from 1 January 2014, this figure was even lower at 25% (IDEA Consult, 2011 and 2012). For this reason, the net amount paid by the individual citizen for one hour of work performed by a service voucher worker was significantly below the average price for similar work delivered by other workers. Therefore, most interviewees were concerned about the sustainability of the system and stated that a further price increase in the services provided through the vouchers system is conceivable. A substantial reduction in or even a complete phasing-out of the existing tax deduction is seen by many interviewees as a logical next step. Nevertheless, such move could cause public discontent.

Workers

Workers have mixed feelings about the service voucher system. On the one hand, a survey of service voucher workers in 2010 showed that 84% of them were satisfied with their job and the way it was organised. Flexible working hours and easily adaptable part-time work arrangements were mentioned as the greatest advantages. Older workers, native Belgians and people with lower levels of education were slightly more positive (IDEA Consult, 2011).

On the other hand, working conditions remain an issue. On the basis of the sector's collective agreement, from 1 February 2013 onwards, the minimum hourly wage for service voucher workers with less than one year's experience amounts to €10.28. This rate is slightly higher for workers with one year's experience (€10.69), two years' experience (€10.82) and three years' or more experience (€10.93). Compared with the regular gross minimum hourly wage of €8.94 (revised in January 2014 and applicable to people older

than 21 working 38 hours a week), this is a decent salary, especially considering the low education requirements, flexible working arrangements and proximity to the workplace. However, since most employment contracts offer only limited working time, the income of service voucher workers is rather low.

Service voucher jobs can still be a rather precarious form of employment. Some employment contracts offer such limited hours and periods of employment that one could hardly speak of any real labour market reintegration prospects. Until recently, many employment contracts were temporary. The regulatory framework was later revised to tighten the preconditions and now service voucher companies are obliged to offer workers a part-time job with a minimum of 13 hours a week after the first three months. Nonetheless, only around 10% of service voucher workers are employed full time – although this seems to be the general situation for workers in the cleaning sector, and the service voucher system has little to do with this.

In addition, after the initial three months, temporary employment contracts now have to be converted into permanent employment contracts. For example, in 2011, some 227,873 contracts were signed overall under the service voucher system, of which 94,461 were permanent contracts and 133,412 fixed-term contracts (IDEA Consult, 2012).

Physical requirements of service voucher jobs are generally high and a substantial share of workers, mostly the elderly, leave the job for this reason: once again, this has more to do with the job content rather than the service voucher concept itself. On the other hand, work pressure in service voucher jobs is generally lower and the autonomy is far greater compared with that in commercial cleaning company jobs. This is one of the reasons why workers sometimes change their regular jobs in commercial cleaning companies for lower paid jobs in the service voucher system.

According to the trade unions, working conditions and human resource management are acceptable in most of the bigger service voucher companies and in the companies created by local public services. It is believed that the smaller recognised companies created by self-employed people and the temporary employment agencies still have a long way to go in this area.

Nevertheless, service voucher jobs will always entail manual labour in domestic environments and the working conditions will remain difficult to change. This is why training is seen as the only way to alleviate negative consequences of working conditions that are not ergonomically favourable and to compensate for the absence of appropriate working tools. However, the recognised service voucher companies vary significantly in what training they organise for their workers. While the not-for-profit service voucher organisations perform well in this area, privately owned service voucher companies, including those created by temporary work agencies, organise far fewer training courses. Financial support from the Social Fund allowed nearly 30% of all service voucher workers to participate in at least one training session in 2010 (IDEA Consult, 2012). This figure rose to 38.2% in 2011 (Federal Public Service Employment, Labour and Social Dialogue, 2013). However, in 2011 only one out of five service voucher companies applied for funding to finance training courses for their workers.

Service voucher organisations

For the recognised service voucher organisations, the service voucher business is relatively easy to handle and, up to now, has provided reliable growth and reasonable and stable profits. Several interviewees argued that, despite decreasing profit margins, the service voucher sector is still profitable. Nevertheless, bankruptcy is a regular occurrence among these companies.

Service voucher companies also have a relatively high staff turnover. Of the service voucher workers active in 2010, 18.2% left their company during 2011. Once again, the situation was worst in the commercial companies and those managed by self-employed people.

Strengths and weaknesses of service vouchers in Belgium

Strengths

- Employers' organisations indicated that the service voucher system in Belgium had facilitated entry to the labour market for approximately 150,000 people with otherwise limited opportunity to join the regular labour market. They also highlighted the economic rationale behind the system, emphasising the earn-back effects of these formalised household services (EFSI, 2013a).
- All interviewees agreed that there will always be political will to maintain the service voucher system. In Belgium, the service voucher sector has established itself as a niche activity, which was formerly almost exclusively occupied by the undeclared market. Before service vouchers came into the existence, there were several local initiatives with the same objectives, but they had limited success.
- The service voucher sector has been gradually becoming more professional and an increasing number of collective agreements have been concluded. In the beginning, most of the agreements focused on wage conditions. Recently, they started to cover all the traditional areas of collective bargaining, such as transport compensation, reimbursement of trade union affiliation fees, extra holidays, training requirements and so on. One of the collective agreements authorises trade unions to set up so-called trade union delegations which provide a formal platform for social dialogue in service voucher companies with more than 20 workers. Therefore, the service voucher sector has been gradually developing and at this moment should be considered a regular professional sector.
- Regulatory restrictions on service voucher companies are gradually tightening (House of Representatives, 2011b). In 2010, 462 irregularities were detected by various labour inspectorates. In the same year, seven recognitions were withdrawn. It can be expected that tighter controls by labour inspectorate bodies will gradually phase out service voucher organisations that have a rather casual attitude to regulations of all kinds.
- Contrary to the French approach, the Belgian service voucher system adheres to the triangular relationship. While the service voucher employees work under customer supervision (for example, another company or individual citizen), they maintain a formal relationship only with the recognised company (employer). This undoubtedly has some advantages. For example, where there are difficulties or customers are accused of misdemeanours such as bullying or sexual harassment, the employer can be asked to intervene, mediate and, if necessary, find an alternative place of employment for the worker. Being part of a team of domestic workers also offers the possibility of contact with colleagues who often reside or work in the same neighbourhood.

Weaknesses

- The service voucher system largely depends on the political will to keep it going. According to employers' representatives, privately owned cleaning enterprises do not want to become recognised as service voucher companies because they see the voucher system as unstable and largely dependent on government decisions. One shift in the political majority could lead to abolishment of the whole system. This has happened in Denmark (Van Peteghem, Pauwels and Ramioul, 2011).
- Political influence on heavily subsidised systems will become more visible as the defederalisation of employment policy, including the service voucher system, continues in Belgium. After lengthy negotiations, the Belgian government is transferring a number of federally-administered competences and financial resources to the regional authorities. One of these domains is employment policy, including the service voucher system. The future decentralisation of employment measures could lead to an increasing divergence between the service voucher systems in the country's different regions. It is expected that Flanders, a region with a relatively low unemployment rate, will downsize the service voucher system. Nevertheless, all the interviewees believed that it would be politically very difficult

to abolish the service voucher system as a whole. Some interviewees had reservations about the transfer of the system to the regional authorities and feared undesired outcomes.

- All interviewees highlighted price-setting of service vouchers as a weak point in the system. To eradicate undeclared work, the cost of services offered by service voucher companies should be lower than a person doing undeclared cleaning is likely to be paid. On the other hand, the service voucher system has become a major source of expenditure for the Belgian government. The employers' representatives interviewed said that there was now room for alternative approaches in the area of price-setting. This could be done by deregulating the price setting mechanism, raising service prices for customers or reducing tax benefits. Another option could be to charge different prices for different services. However, experimenting with price setting could drive many jobs back into the undeclared labour market. The employers' organisations strongly advise continuing to allocate a sufficient amount of public funds to keep the cost of services low (Federgon, 2013). The Belgian General Federation of Labour (ABVV/FGTB) believes that a moderate increase in the service cost, which it qualifies as 'still too low', would not significantly affect the usage of service vouchers (Moonen, 2012). In its view, the system has reached maturity and further growth should be restrained. The Belgian Confederation of Christian Trade Unions (ACV/CSC) also shares a positive view of the service voucher system and advises keeping the current funding mechanism (ACV/CSC, 2014).
- The training level for service voucher employees is still too low. Although there has been some progress in this area in recent years, it is important to continue and expand the organisation of specialised training courses for these workers. While cleaning seems to be a rather straightforward activity, there is a need for training about cleaning products, health and safety requirements and the use of multi-purpose equipment. As noted in previous paragraphs, a majority of service voucher workers have never attended a single training session.
- Limited availability of potential workers has been another weakness of the service voucher system. Due to labour supply shortages in Belgium, service voucher companies are forced to hire migrants from abroad. One of the factors preventing Belgian citizens from entering the service voucher system is that the unemployment compensation system does not have time limits. If the service voucher system continues to employ ever larger shares of migrant workers, this could have a negative effect on public opinion about the whole system. In addition, for migrant service workers, these jobs do not offer sufficient opportunities to integrate into the community and labour market.
- Although service voucher jobs are generally seen as low-skilled work, they require a certain level of maturity. While the ability to work autonomously is one of the most attractive features for service voucher workers, such work arrangements could discourage certain unemployed individuals from entering the labour market. A survey of Flemish employers (Social Fund of the Service Voucher Sector, 2011) revealed that the most important competency required from service voucher workers, in the eyes of their managers, is an adequate professional mentality. According to VVSG, a professional organisation representing local government institutions, possessing the required physical and psychosocial capacities as well the right mentality are crucial. The interviewee stated that only the 'better' unemployed people entered the service voucher system.
- The service voucher system has introduced competition into the regular care sector. The pay scales for social care workers are significantly better than those for service voucher workers (Pacolet, De Wispelaere and Cabus, 2011). This could lead to labour market distortions at macroeconomic level or to interpersonal friction at the micro level. Trade union representatives also expressed concern about this issue. The Christian Workers' Movement (ACW/MOC), the umbrella organisation for religiously oriented social organisations, adopted a memorandum stating that the service voucher system is not only placing a heavy burden on the country's resources, but also threatens to interfere with existing social systems, such as regular child and elderly care (ACW/MOC, 2014). The interviewed employers' representatives strongly denied that there is any cause for concern, emphasising that service voucher organisations do not have the slightest intention of venturing into the 'care market'.

- Trade union representatives highlight that, apart from the salary conditions, the attractiveness of service voucher jobs is limited. Although most of these jobs are located close to home and provide substantial personal freedom in organising one's work, they have a poor reputation and do not allow for much contact with colleagues. The primary motivation for accepting service voucher jobs is mostly limited to monetary reasons: although the pay is on the low side, it is still higher than most unemployment benefits and minimum pay levels.

Transferability

Several EU Member States have considered implementing systems for domestic jobs similar to the Belgian version. However, the major drawback preventing wider transferability of the system is its high cost, which places a heavy burden on the country's public finances. This was the main reason why a similar system was discontinued in Denmark (Van Peteghem, Pauwels and Ramioul, 2011).

In the meantime, other European countries such as Finland, Italy and Sweden started implementing service voucher systems that shared some aspects of the Belgian approach (EFSI, 2013b). As an increasing number of European countries started implementing similar systems, a European federation for domestic services was created – that is, the European Federation for Services to Individuals (EFSI).

The interviewees noted several preconditions necessary for transferring the Belgian service voucher system to other countries.

- Considerable public funds need to be allocated to fund the system. The start-up costs of the system are relatively high and considerable resources have to be allocated. The Belgian example demonstrates that start-up costs can quickly increase and place a heavy burden on public finances.
- A well-performing labour inspectorate is crucial. To avoid abuse of the system, supervision and control by national labour inspectorates has to be stringent.

In addition, there are certain operational conditions necessary for the successful implementation of the service voucher system.

- The recognition (acknowledgement) system for service voucher companies should be sufficiently strict. This would ensure the selection of individuals and organisations possessing sufficient managerial skills and financial capabilities. Limiting the number of recognised service voucher organisations would increase their average size. Larger organisations tend to have work councils and safety and health committees, thus promoting social dialogue and good working conditions. Moreover, a smaller number of service voucher organisations would simplify their supervision and administration.
- It is advisable to conduct periodic monitoring and evaluations of the system and to act swiftly on recommendations provided by external and independent experts. The interviewees emphasised that regular adjustments to the system were necessary to control its expansion and avoid unintended consequences.
- Any system dependent on government subsidies bears a risk of market distortion. This is the case with service vouchers. There is a constant danger of replacing regular jobs. Since the services provided through the voucher system are cheaper, there is a risk that customers in need of care services might opt for the service voucher system, rather than apply for regular assistance offered by specialised care organisations. This is an undesirable and unintended development because services for people with disabilities or elderly people require different skills than those possessed by ordinary service voucher workers, and service voucher companies can hardly meet the necessary specialised training requirements. As a result, it is important to keep the system limited to a clearly identified set of activities.

Commentary

In general, political authorities see the Belgian service voucher system as successful. However, over the years customers have come to see the service voucher system as their right. Therefore, it is very difficult for the decision-makers to limit further growth of the system. As a result, any country introducing a similar system should be aware of this risk.

The Belgian service voucher system undoubtedly has some advantages. However, it is not a remedy for the existing ‘mismatch’ in the labour market. Given the low-skilled nature of the jobs offered by the system, learning effects that could reinforce the service voucher workers’ position in the regular labour market are limited. Moreover, due to the nature of the jobs offered, it is hard to envisage unemployed male workers taking up jobs in this system.

The two main objectives, namely lowering unemployment and providing domestic services for families, are sometimes difficult to achieve simultaneously. In regions with lower unemployment rates, the take-up of service vouchers has been extensive, but there has been a lack of unemployed people willing to enter the system. Conversely, in some areas characterised by high unemployment levels, the demand for service vouchers has been traditionally low, mostly due to limited spending power (Van Peteghem, Pauwels and Ramioul, 2011).

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