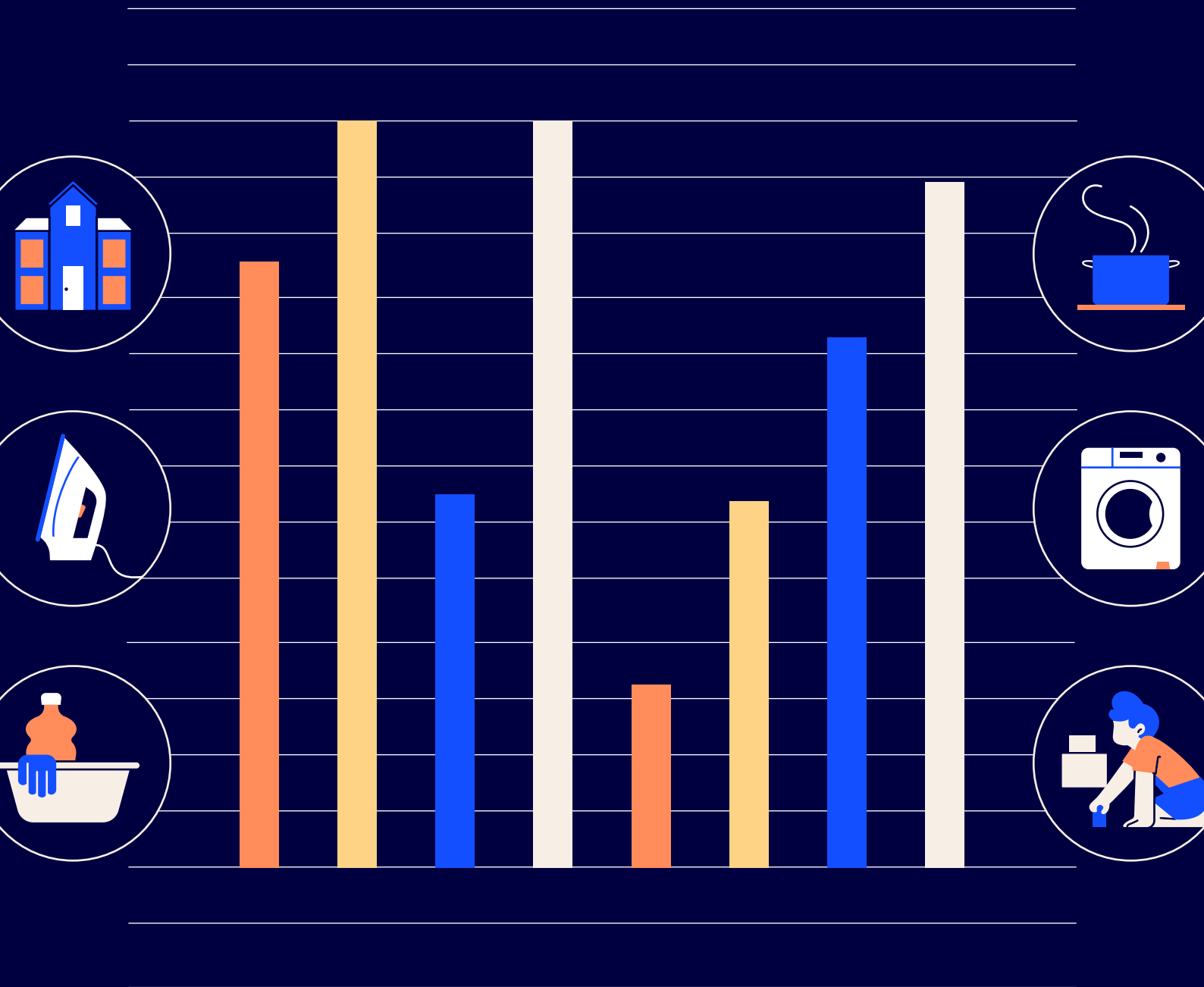


# DOM&CARE VALUE: THE REAL IMPACT OF INDIRECT CARE INVESTMENTS.

EFFE.lab



How can subsidies be maximized in the domestic & home care sector? An assessment of the socio-economic impact of public investment.

# The Growing Importance of Home Care in a Changing Europe

As Europe experiences a profound demographic shift, the demand for long-term care is rising significantly. By 2070, the proportion of individuals over 50 requiring long-term care is projected to increase by 21% compared to 2020. This demographic change underscores the urgent need to rethink and adapt policies to meet growing societal needs.

## UNDERSTANDING THE CHALLENGE

Personal and Household Services (PHS) play a crucial role in supporting individuals with disabilities, chronic illnesses, or age-related challenges by providing both long-term care (LTC) and support for household-related activities. As Europe's population ages, ensuring the adequacy and sustainability of these services is a growing challenge.

By 2040, Europe's aging population will significantly increase the demand for personal and household services (PHS), particularly in household-related activities (often referred to as indirect care). However, the sector faces major challenges, including persistent undeclared work, low attractiveness, and weak social protection. Without urgent policy action, ensuring a stable and sustainable workforce to meet future needs will become increasingly difficult placing significant pressure on family caregivers.

## THE ROLE OF PERSONAL AND HOUSEHOLD SERVICES (PHS)

PHS cover both direct long-term care (LTC) for persons in need—including older individuals, children, and persons with disabilities—as well as support for household-related activities. Accurate data on both types of services are crucial for shaping effective policies. While long-term care is primarily funded through social policy instruments, standard PHS services—such as household support—are often financed through employment policies. Without clear data, policymakers may overlook key funding gaps or workforce challenges in this sector.

PHS align with the concept of “domestic workers” as recognized by the International Labour Organization (ILO). At EU level, the PHS sector is split between **care activities (56%)** and **indirect care (44%)**<sup>1</sup>, yet it remains heavily affected by **undeclared work**, particularly in household-related services. This not only leads to **worker insecurity and lost tax revenues** but also limits access to **quality-controlled services** for those in need.

### STATISTICAL CLASSIFICATION OF DOMESTIC WORK

A statistical definition of PHS or domestic work includes activities classified under:

- **NACE 97** (“activities of households as employers of domestic personnel”) refers to the direct employment model, in which private households hire domestic workers directly, acting as their employers and assuming responsibilities such as wages, contracts, and social security contributions.
- **NACE 88** (“social work activities without accommodation”) representing “service providers model”.

According to **Article 1 of the ILO C189 Convention**, domestic work is defined as «work performed in or for a household or households.» **A domestic worker** is any person engaged in such work within an employment relationship. However, individuals who perform domestic tasks only occasionally or sporadically, and not as an occupation, do not fall under this category.

## ESTIMATING THE WORKFORCE IN PHS

Based on the **Interactive Mapping**<sup>2</sup>, the number of formally employed workers in the PHS sector in the EU in 2020 was estimated at **6.5 million** under a narrow definition, which includes **NACE 97** and **NACE 88**.

Using a broader definition—also incorporating **NACE 95** (“repair of computers and personal and household goods”) and **NACE 96** (“other personal service activities”)—the estimated PHS workforce increases to approximately **8.8 million workers**<sup>3</sup>.

<sup>1</sup> Based on ISCO data.

<sup>2</sup> See *EFFE Lab Interactive Mapping* for detailed data and methodology.

<sup>3</sup> Ghailani, D., Marlier, E., Baptista, I., Deruelle, T., Duri, I., Guio, A.-C., Kominou, K., Perista, P., & Spasova, S. (2024). *Access for domestic workers to labour and social protection: An analysis of policies in 34 European countries*. European Social Policy Analysis Network (ESPAN). Publications Office of the European Union.

Undeclared work remains a structural issue in the sector. While official estimates put the number of PHS workers at 6 to 8.8 million (depending on definition), the real number may be far higher—ranging from 12.8 million to 18 million, meaning up to 50% of the workforce operates undeclared. Addressing this gap is crucial for ensuring fair working conditions and sustainable service provision.

### INDIRECT CARE: ESSENTIAL SOLUTIONS FOR DEMOGRAPHIC SHIFTS AND WORK-LIFE BALANCE

Home care and household support services are increasingly recognized as a cornerstone of sustainable care strategies. Extending these services benefits both care receivers and their families by:

- **Reducing institutionalization costs**, allowing older dependent individuals to remain at home as long as possible.
- **Alleviating the burden on informal caregivers**, enabling them to balance work and family life.
- **Preserving independence and autonomy** for individuals with long-term care needs.

### PROACTIVE POLICIES ARE KEY

To tackle the challenges of an aging population, labour shortages and promote better work-life balance, while also enhancing women's access to the labor market, European policymakers must take decisive action, such as:

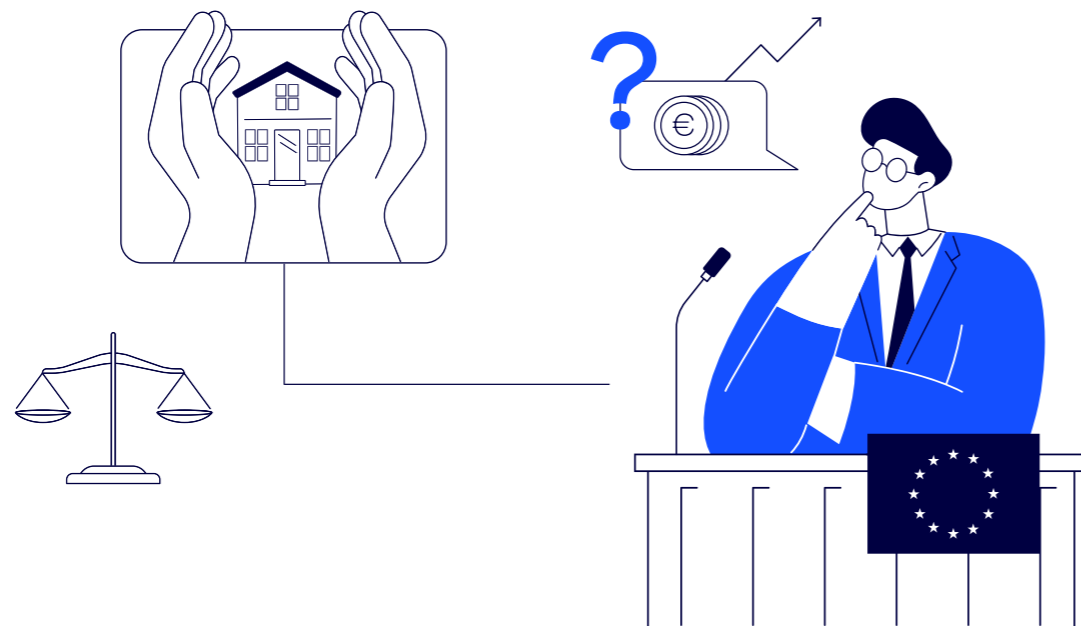
- Expanding access to affordable, high-quality domestic & home and care services
- Increasing financial resources for the sector to meet growing demand.
- Strengthening the workforce with proactive labour market policies.
- Promoting active ageing strategies to delay or reduce the need for long-term care.
- Expanding access to affordable household-related services to support work-life balance, particularly for working families and caregivers.

### TOWARDS A LONGEVITY SOCIETY

The European Care Strategy, supported by recent studies, emphasizes the importance of quality, affordable, and accessible care services for all. Building a “longevity society” that values longer lifespans and healthier ageing will require collective action, innovative solutions, and sustainable investments.

However, the persistent lack of attractiveness in the sector, driven by poor working conditions, low wages, and widespread undeclared work, poses a major challenge. These structural issues contribute to labor shortages, making it difficult to meet the growing demand for domestic and home care services. Addressing these challenges is essential not only to improve working conditions and professionalization but also to ensure the long-term sustainability of the sector.

As we face the challenges of demographic change, investing in domestic & home care is not just a necessity but an opportunity to build a more inclusive, resilient, and equitable society—one that values care work and the essential role of its workforce.



# Why an indirect care spending review matters?

Public spending on household related activities is often perceived as a cost, yet its potential as a strategic investment is significant. Subsidizing these services can:

- Support families and informal caregivers by easing the burden of unpaid care.
- Create formal jobs and reduce undeclared work by strengthening labor regulations, improving job quality, and providing incentives for employers to transition workers into the formal economy.
- Improve public finances by generating fiscal and social contributions.

*Dom&Care Value* is an innovative tool designed to help policymakers and stakeholders assess the socio-economic impacts of subsidies dedicated to indirect care services. It transforms public spending into a transparent and data-driven review process to support informed decision-making.



# The essential yet undervalued role of indirect care

Indirect care refers to daily domestic tasks—cleaning, cooking, shopping, and more—that are essential for individuals who need assistance to live with dignity and autonomy. These services are critical for:

- **Elderly people** who wish to remain in their homes rather than move to institutions.
- **Informal caregivers** who need time to balance professional and personal lives.
- **Dependent people** who rely on a dignified, supportive environment.

Every woman and man who require assistance with daily household activities to achieve a better work-life balance.

According to the statistical definition, there are approximately **3 million indirect care workers in the EU**, representing **1.9% of all workers**. This share varies across countries, ranging between **0.1%** in Czechia to **4.5%** in Cyprus.

The **large majority of domestic workers are women**, with the **EU-27 average at around 90%**. Additionally, at the EU level, **94% of indirect care are employees**, while only **6% are self-employed**. Work patterns in the sector are also characterized by **a high prevalence of part-time work**, with almost **50% of domestic workers working less than 30 hours per week**.

Workers in EU countries are often engaged **both in care and indirect-care activities**, with a significant proportion being **foreign-born**.

Despite its crucial role, **indirect care remains largely undervalued and underpaid**, making it one of the least attractive sectors in the EU labor market. **Low wages, precarious contracts, and the absence of career progression discourage recruitment and retention**, further exacerbating **labor shortages**. As a result, the sector struggles to meet the growing demand for household-related services, putting additional pressure on families and public care systems.

At the same time, **undeclared work remains widespread**, with up to **50% of indirect care workers in the EU are either undeclared or partially declared**. This makes the sector one of the largest sources of **informal employment** in Europe. Beyond its negative impact on workers—who **lack access to essential rights such as social security, pensions, and health-care**—this also leads to **billions in lost tax revenues annually**, limiting governments' ability to invest in better services and worker protections.



# Turning public spending into socio-economic value



## FORMALIZING JOBS

Making declared work competitive reduces undeclared employment, ensuring workers receive full legal protections, decent wages and social protection.



## SUPPORTING FAMILIES

Subsidies allow families to afford essential household related services.



## REDUCING INSTITUTIONAL COSTS

Investing in home-based care delays costly institutionalization for dependent individuals.



## STRENGTHENING PUBLIC FINANCES

Declared jobs generate taxes and social contributions that offset subsidy costs.

# A rigorous and transparent approach to spending reviews

The Dom&Care Value simulator evaluates the socio-economic impacts of indirect care subsidies using four key metrics:

## 1. GROSS SUBSIDY COSTS:

The public funds required to make declared work more competitive than undeclared work.

## 2. DIRECT RETURNS

The fiscal and social contributions generated by formalized employment.

## 3. INDIRECT RETURNS

The wider economic benefits from time saved for families and individuals and reinvested in the economy through increased workforce participation, productivity, and consumer spending. This results in broader economic benefits.

## 4. DEADWEIGHT EFFECTS:

The portion of jobs that would have existed even without public subsidies, ensuring a net calculation of benefits.

The simulator calculates a socio-fiscal ratio, where a value above 1 indicates that the subsidies yield a net economic return.

# A user-friendly tool for policymakers and stakeholders

Dom&Care Value provides clear steps for conducting an indirect care spending review:

**1 Enter local data:** Input parameters such as costs of undeclared work, average wages, and applicable tax rates.

**2 Adjust assumptions:** Tailor key variables, such as administrative costs or deadweight effects, to reflect the national context.

**3 Run simulations:** Generate detailed analyses of costs, returns, and socio-economic impacts.

**4 Interpret the results:** Use infographics and comparative insights to inform policy decisions and communicate with stakeholders. By comparing data across countries and with the European average, we can identify best practices, highlight disparities, and tailor strategies to improve outcomes based on successful models.

# Practical applications of Dom&Care Value

Use the simulator to analyze real-world scenarios. Here's an example template:

## CONTEXT

### Assessing the Socio-Economic Impact of Subsidies for Indirect Care in Spain

Spain is a typical example of a family-centered welfare regime, where state engagement in the PHS sector is aimed at supporting the individual and the family at the same time. Thus, the implementation of the law on dependency and the establishment of publicly financed domestic support services at the local government level coexist with informal and family care arrangements supported by state allowances and tax benefits. Although the various levels of autonomy granted to sub-national governments throughout the territory imply that the different options are not always equally accessible, choice is inherent to the overall system. In Spain, indirect care services such as cleaning, cooking, and household maintenance are essential for supporting dependent individuals, ensuring they can live with dignity and autonomy. However, the prevalence of undeclared work in this sector creates significant challenges. The following case study demonstrates how subsidies for indirect care can generate measurable socio-economic benefits.

## KEY DATA AND ASSUMPTIONS

- **General administrative costs:** 10% of total labor costs.
- **Deadweight effect:** 15% (subsidies applied to jobs that would exist without public aid).
- **Indirect return effect:** 5 hours of additional employment generated in other sectors for every subsidy-supported job.

## NATIONAL DATA FOR SPAIN

Indicator	Value
Hourly wage for undeclared work	€7.8
Hourly wage for formal employment	€13.1
Tax burden on labor costs	39.5%
VAT on indirect care services	10%
Share of direct employment	67.7%

## ECONOMIC ANALYSIS

Measure	Value
Public subsidy per hour	€6
Price paid by users (post-subsidy)	€7.8
Direct return for the state	€5.7
Indirect return for the state	€1.71
Deadweight effect	€0.86
Net public cost (ROI)	-€0.6 per €1 invested
Socio-fiscal balance	€1.1 (positive impact)

## FINDINGS AND IMPLICATIONS

### 1. RETURN ON INVESTMENT: A POSITIVE SOCIO-FISCAL BALANCE

EVERY  
€1 → 

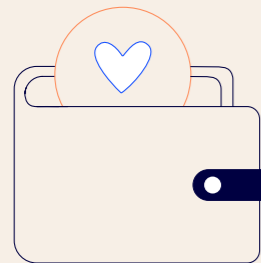
- The analysis confirms that every €1 invested in subsidies for indirect care yields €1.1 in direct and indirect returns, validating the financial sustainability of this policy.
- By generating **€5.7 in direct fiscal contributions** and an additional **€1.71 in indirect returns**, the subsidies create a compounding effect that benefits both public finances and the broader economy.

### 3. ENCOURAGING FORMAL EMPLOYMENT

€6 PER HOUR 

- By subsidizing €6 per hour, the policy makes declared work financially competitive with undeclared work, effectively addressing one of the sector's most persistent challenges.
- The reduction in undeclared work strengthens worker protections, including access to health insurance, pensions, and unemployment benefits.

### 4. ADDRESSING AFFORDABILITY FOR FAMILIES



€7.8 PER HOUR

- With a **net cost of €7.8 per hour** after subsidies, indirect care services become accessible to more households, particularly middle- and low-income families.
- This affordability supports work-life balance, enabling family caregivers—particularly women—to re-enter or remain in the labor market, thereby reducing gender inequalities.

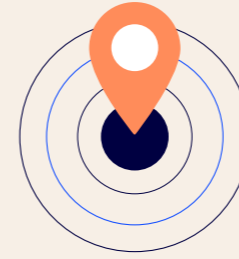
### 2. STIMULATING BROADER ECONOMIC GROWTH



5 HOURS

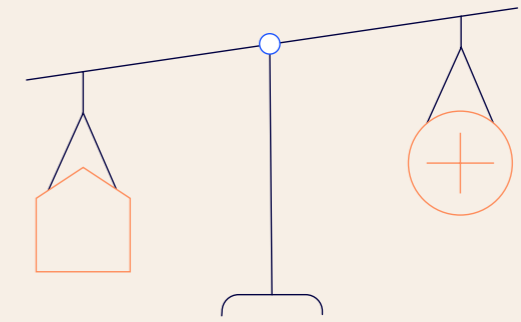
- The **5 hours of employment created in other sectors** for every job supported demonstrates how subsidies generate a ripple effect across the economy.
- Sectors such as retail, healthcare, and education benefit indirectly as families and caregivers reinvest their freed time and resources.

### 5. TARGETING THE DEADWEIGHT EFFECT



- While the **15% deadweight effect** represents jobs that would have existed without subsidies, it also highlights the need for more precise targeting of aid.
- Recommendations include:
  - Prioritizing subsidies for households with dependents or low-income families to maximize impact.
  - Enhancing eligibility criteria to focus on regions or demographics with the highest undeclared work prevalence.

### 6. REDUCING DEPENDENCY ON INSTITUTIONAL CARE AND ENHANCING WORK-LIFE BALANCE



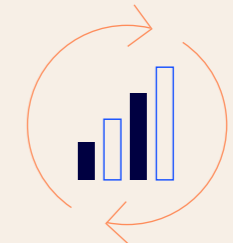
- By enabling elderly individuals and dependent persons to remain at home longer, the policy reduces reliance on expensive institutional care, resulting in significant savings for public health systems.
- Expanding home care services is also aligned with preferences expressed by most care recipients, who favor aging in place over institutionalization but also supports informal carers in achieving a better work-life balance particularly working parents, by reducing the strain of balancing care responsibilities with professional obligations.

### 7. STRENGTHENING THE INDIRECT CARE WORKFORCE

67.7%

- Formalizing indirect care creates stable jobs in a sector where millions of workers, predominantly migrant women, are often vulnerable to precarious conditions and undeclared work. With **67.7% of employment in direct services**, the policy strengthens the workforce, providing opportunities for training, professional development, and long-term career paths.

### 8. POLICY SUSTAINABILITY AND FUTURE DIRECTIONS



- The Spanish case shows that **scaling up subsidies can have long-term benefits**, particularly as the population ages.
- **Proactive investments in platforms** — from workforce training to online declarative tools can amplify these benefits over time.

## CONCLUSION

Spain's example highlights the profound socio-economic benefits that can arise from a well-structured subsidy policy for indirect care. The findings underscore the vital role of strategic, proactive investments in building a sustainable care ecosystem that benefits individuals, families, workers, and public finances alike. This analysis reveals that subsidizing indirect care is not only a socially essential initiative but also a sound economic strategy. By fostering formal employment and curbing undeclared work, these subsidies fortify public finances, provide vital support to families, and improve the quality of life for care recipients. Ultimately, Spain's example reinforces the critical need for forward-thinking policies and targeted investments in indirect care to effectively address the challenges posed by an ageing population and increasing care demands.

# Call to Action: Invest in a sustainable future through indirect care

Policy makers, stakeholders, and advocates are invited to use Dom&Care Value to:

- Justify subsidies as a strategic investment, not just a cost.
- Support the formalization of a vital yet undervalued sector.
- Meet the challenges of an aging population with proactive policies.

## POLICY RECOMMENDATIONS

### 1. IMPROVE THE EVIDENCE BASE:



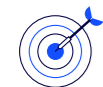
Establishing an EU-wide statistical definition of domestic work is essential, along with a coordinated and systematic approach to collecting data on undeclared employment in the sector, to accurately measure the share of direct employment. To achieve this, it is crucial to recognize and integrate user-employers into the framework.

### 2. COMBAT UNDECLARED WORK:



Streamlining administrative procedures, introducing tax incentives or subsidies and implementing vouchers systems can encourage formal employment. However, if the maximum tax deduction threshold is too low, it may not provide sufficient incentive for some households to regularise their workers.

### 3. ENHANCE TARGETING MECHANISMS:



Develop data-driven strategies to ensure subsidies reach all kind of households and regions where the impact will be greatest. This can include geographic focus areas, means-tested eligibility, or incentives for legal hiring practices.

### 4. PROMOTE WORKFORCE DEVELOPMENT:



- Invest in training programs to professionalize the indirect care workforce: a certification system to validate and recognise the skills of domestic workers.
- Ensure access to social and labour protection: policies should account the unique nature of domestic work, including the fact that many domestic workers are employed by multiple households.

### 5. FACILITATE LEGAL MIGRATION PATHWAYS FOR NON-EU WORKERS:



Establish clear migration routes while recognizing the skills and experience of care providers even those without formal qualifications. Third-country domestic workers holding a single work permit must have the right to change employers within six months in cases of exploitation, as foreseen in Directive (EU) 2024/1233 on the Single Work Permit.

### 6. DEVELOP SOCIAL DIALOGUE:



Foster collaboration between policymakers, employers, trade unions, and families to ensure policies address the realities and needs of all stakeholders. Make sure that they are included in the policy making process. To achieve this, support the creation of representative organizations, especially for non-professional employers and vulnerable workers, to ensure their voices are heard and their interests are protected.

### 7. MONITOR AND ADAPT POLICIES:



Use tools like Dom&Care Value to continuously evaluate subsidy impacts, adjust policy parameters, and refine implementation strategies.

### 8. RAISE PUBLIC AWARENESS:



Launch campaigns to inform households about the availability and benefits of declared domestic & home care services, emphasizing affordability and quality.





# Notes

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